



**HOUSING AUTHORITY  
of the County of Los Angeles**

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Commissioners

**Carlos Jackson**  
*Executive Director*

June 3, 2003

Honorable Board of Commissioners  
Housing Authority of the  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Commissioners:

**RESOLUTION AUTHORIZING THE ISSUANCE OF MULTIFAMILY HOUSING  
MORTGAGE REVENUE BONDS FOR HAVENHURST APARTMENTS IN CITY OF  
WEST HOLLYWOOD (3)  
(3 Vote)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Adopt and instruct the Chair to sign a Resolution, as required under Section 147(f) of the Internal Revenue Code of 1986, authorizing the issuance of Multifamily Housing Mortgage Revenue Bonds by the Housing Authority of the County of Los Angeles, in an aggregate amount not exceeding \$2,900,000, to assist the West Hollywood Community Housing Corporation (the Developer) to finance site acquisition and construction of the Havenhurst Apartments, a 24-unit affordable multifamily development to be located at 1433 Havenhurst Drive, in the City of West Hollywood.
2. Authorize the Executive Director to execute all related documents, following approval as to form by County Counsel, and take all necessary actions to finance the acquisition and construction of the Havenhurst Apartments.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:**

The purpose of this action is to authorize the issuance, sale and delivery of Multifamily Housing Mortgage Revenue Bonds to finance the acquisition and construction of the Havenhurst Apartments. This action will also allow the Bonds to qualify for a tax exemption under Section 103 of the Internal Revenue Code of 1986.

### **FISCAL IMPACT/FINANCING:**

No County costs will be incurred. The Developer will pay all fees and related costs.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS:**

The Housing Authority issues Multifamily Housing Mortgage Revenue Bonds on an ongoing basis to provide financing to increase the supply of multifamily housing for very low-, low- and moderate-income families throughout Los Angeles County.

On November 4, 2002, the City Council of West Hollywood adopted a resolution authorizing the Housing Authority of the County of Los Angeles to issue multifamily revenue bonds for the Havenhurst Apartments.

On December 2, 2002, the Housing Authority conducted a public hearing on the issuance of bonds to finance the project, as authorized by Section 147(f) of the Internal Revenue Code of 1986, at its office located at 1 Cupania Circle in the City of Monterey Park. No comments were received at the public hearing concerning the issuance of the Bonds or the nature and location of the project.

On December 17, 2002, your Board adopted an Inducement Resolution declaring the intent of the Housing Authority to undertake the financing of Multifamily Housing Mortgage Revenue Bonds for the project in accordance with United States Treasury Department Regulations. This action established a base date after which costs incurred by the Developer of the project could be included in the acquisition, construction and permanent financing obtained pursuant to the issuance of tax-exempt bonds.

The project will consist of 21 one-bedroom units, two efficiency units and a manager's unit, situated on the top of a 25-space subterranean garage. The site, just south of Sunset Boulevard, is in close proximity to community, recreational and supportive services. The units, all configured around a courtyard, have large balconies or patios, and the facility also offers a large community room, a computer room, central laundry and an elevator. The 23 rental units will be reserved for very low-income households with incomes not exceeding 50 percent of the area median income for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development (HUD). This requirement will remain in effect for at least 55 years.

The attached Resolution, authorizing the Housing Authority to issue and sell the Bonds to finance the project, has been prepared by Orrick, Herrington & Sutcliffe, Bond Counsel to the Housing Authority, and has been approved as to form by County Counsel. All other related documents are being submitted in substantially final form and will be approved as to form by County Counsel prior to execution by the authorized parties.

On May 28, 2003, the Housing Commission recommended approval of the proposed action.

**IMPACT ON CURRENT PROJECT:**

The proposed action will increase the supply of affordable housing in the County.

Respectfully submitted,

CARLOS JACKSON  
Executive Director

Attachments: 3

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$2,900,000 FOR THE PURPOSE OF MAKING A LOAN TO PROVIDE FINANCING FOR A MULTIFAMILY RENTAL HOUSING PROJECT KNOWN AS HAVENHURST APARTMENTS, DETERMINING AND PRESCRIBING CERTAIN MATTERS RELATING THERETO, AND APPROVING AND AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS, AGREEMENTS AND ACTIONS.

WHEREAS, the Housing Authority of the County of Los Angeles ("the Authority") is authorized and empowered by the provisions of Section 34312.3 of the Health and Safety Code of the State of California (the "Act") to issue and sell revenue bonds for the purpose of making loans or otherwise providing funds to finance the acquisition and construction of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act; and

WHEREAS, there has been prepared and presented to this Board for consideration at this meeting the documentation required for the issuance of bonds for the financing of Havenhurst Apartments (the "Project"); and

WHEREAS, it appears that each of the documents and instruments above referred to which are now before this meeting is in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the County of Los Angeles, as follows:

1. It is hereby found and determined that it is necessary and desirable for the Authority to provide financing for the Project through the issuance and sale of the Bonds (as hereinafter defined) in order to assist in the acquisition and development of the type of dwelling units provided by the Project.

2. For the purpose of raising moneys with which to effectuate financing for the Project, the Authority hereby determines to issue its Multifamily Housing Revenue Bonds (Havenhurst Apartments), 2003 Series A, in one or more series, each with an appropriate series designation (the "Bonds"), in an aggregate principal amount not to exceed \$2,900,000. The Bonds shall bear interest at the interest rates set forth in or determined in accordance with an indenture of trust (the "Indenture"), maturing as provided in the Indenture, but not later than 35 years from the date of issue. The Bonds shall be in substantially the form set forth in the Indenture, with such appropriate variations, omissions, insertions and provisions as are permitted or required by the Indenture, which shall be appropriately completed when the Bonds are prepared.

The Bonds shall be limited obligations of the Authority payable solely from the revenues, receipts and other moneys pledged therefor under the Indenture.

3. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Chair of this Board and attested with the manual or facsimile signature of the Executive Officer-Clerk of this Board.

4. The proposed form of Indenture, in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Indenture, in substantially said form, with such additions thereto or changes therein as such officer may approve or recommend upon consultation with counsel to the Authority and Bond Counsel to the Authority (provided that such additions or changes shall not authorize an aggregate principal amount of Bonds in excess of the amount stated above or result in an initial interest rate on the Bonds in excess of 7%), the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Indenture. The date, maturity dates, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the bonds shall be as provided in the Indenture as finally executed.

5. The proposed form of loan agreement (the "Loan Agreement") in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Loan Agreement, with such additions or changes in said document as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Loan Agreement.

6. The proposed form of regulatory agreement (the "Regulatory Agreement") in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Regulatory Agreement, with such additions or changes in said document as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Regulatory Agreement.

7. This Board hereby appoints the Executive Director of the Authority or his or her designee as administrator/manager with respect to the Project and other matters arising in connection with the Bonds (the "Administrator").

8. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this resolution, whether before or after the issuance of the Bonds, including without limitation any of the

foregoing which may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project or any redemption of the Bonds, may be given or taken by the Administrator without further authorization by this Board, and the Administrator is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this resolution.

9. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those described in the Indenture and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority.

10. All resolutions or parts thereto in conflict herewith are, to the extent of such conflict, hereby repealed.

This resolution shall take effect upon its adoption.

APPROVED AND ADOPTED this 3rd day of June, 2003.

By \_\_\_\_\_  
Chair of the  
Board of Commissioners

ATTEST:  
Violet Varona-Lukens  
Executive Officer-Clerk  
of the Board of Commissioners

By \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:  
LLOYD W. PELLMAN  
County Counsel

By \_\_\_\_\_  
Deputy



REGULATORY AGREEMENT AND  
DECLARATION OF RESTRICTIVE COVENANTS

This REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this “Regulatory Agreement”) is made and entered into as of June 1, 2003, by and among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the “Issuer”), WELLS FARGO BANK, NATIONAL ASSOCIATION (together with any successor in such capacity, the “Bondowner Representative”), in its capacity as Bondowner Representative under the Indenture of Trust of even date herewith (as supplemented and amended from time to time, the “Indenture”), by and between the Bondowner Representative and the Issuer, and Hayvenhurst Limited Partnership, a California limited partnership (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “Borrower”).

W I T N E S S E T H:

WHEREAS, pursuant to and in compliance with Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the “Act”), the Issuer proposes to issue its Multifamily Housing Revenue Bonds (Havenhurst Apartments), 2003 Series A (the “Bonds”) the proceeds of which will be utilized to fund a loan to the Borrower pursuant to the Loan Agreement of even date herewith (as supplemented and amended from time to time, the “Loan Agreement”), among the Issuer, the Borrower and the Bondowner Representative, in order to enable the Borrower to finance the acquisition and construction of a 24-unit multifamily rental housing project known as Havenhurst Apartments, located on the real property site described in Exhibit A hereto (the “Project”);

WHEREAS, in order to assure the Issuer and the owners of the Bonds that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), and to satisfy the public purposes for which the Bonds are authorized to be issued under the Act, and to satisfy the purposes of the Issuer in determining to issue the Bonds, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

NOW, THEREFORE, in consideration of the issuance of the Bonds by the Issuer and the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Bondowner Representative and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1 or in Section 1.1 of the Indenture.

“Adjusted Income” means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in Regulations Section 1.167(k)-3(b)(3) in effect as of the Closing Date.

“Affordable Rents” means a monthly rent (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) which does not exceed 30 percent of 50 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act of 1937,



as amended, based upon the following household sizes for various types of residential units in the Project:

<u>Type of Unit</u>	<u>Assumed Household Size</u>
<u>Studio</u>	<u>1 person</u>
<u>One bedroom</u>	<u>2 persons</u>
<u>Two bedrooms</u>	<u>3 persons</u>
<u>More than two bedrooms</u>	<u>4 persons</u>

“Area” means the Los Angeles, California Primary Metropolitan Statistical Area.

“CDLAC” means the California Debt Limit Allocation Committee or its successors.

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Issuer, the Program Monitor, if applicable, and the Bondowner Representative pursuant to Section 4(e) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

“Closing Date” means the date of the issuance and delivery of the Bonds.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“Income Certification” means a Verification of Income and an Occupancy Certificate in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

“Program Monitor” means any program monitor or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor so appointed. The initial Program Monitor shall be the Issuer.

“Project” means the multifamily rental housing development known as Havenhurst Apartments, located on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Loan Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities.

“Qualified Project Period” means the period beginning on the first day on which at least ten percent (10%) of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied (as specified pursuant to Section 3(h) of this Regulatory Agreement);

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding; or

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates;

provided that, unless otherwise amended or modified in accordance with the terms hereof, the Qualified Project Period for purposes of this Regulatory Agreement shall be 55 years from the Closing Date, as required by the CDLAC Conditions.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Regulatory Agreement” means this Regulatory Agreement, as it may be supplemented and amended from time to time.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Verification of Income” means a Verification of Income in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

“Very Low Income Tenant” means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of very low income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as very low income shall be fifty percent (50%) of median gross income for the Area with adjustments for family size; and (ii) whose income does not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as very low income households as defined by Section 50105 of the California Health and Safety Code. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Very Low Income Tenants. The determination of a tenant’s status as a Very Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such tenants, on the basis of an Income Certification executed by the tenant.

“Very Low Income Units” means the units in the Project required to be rented, or held available for occupancy by, Very Low Income Tenants pursuant to Sections 4(a), 6(a), 6(b) and 7(a) hereof.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Borrower.

(a) The Borrower hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate and the Loan Agreement relating to the Project.

(b) The Borrower hereby represents and warrants that the Project is located entirely within the County of Los Angeles, California.

(c) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Borrower in acquiring and developing the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated in the same manner as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project are and will be similarly constructed units, and each dwelling unit in the Project contains and will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the County of Los Angeles).

(e) All of the dwelling units in the Project (except for not more than one unit set aside for resident manager or other administrative use) will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Very Low Income Tenants.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit the occupancy of a dwelling unit by resident managers or maintenance personnel, any of whom may be the Borrower.

(h) Within 30 days after the date on which 10% of the dwelling units in the Project are occupied, the Borrower shall deliver to the Issuer and the Bondowner Representative a written notice specifying such date, and within 30 days after the date on which 50% of the dwelling units in the Project are occupied, the Borrower shall deliver to the Issuer and the Bondowner Representative a written notice specifying such date and the beginning and ending dates of the Qualified Project Period. The Borrower shall cause a copy of such notice to be recorded in the Official Records of the County of Los Angeles, California.

Section 4. [Very Low Income Tenants; Reporting Requirements](#). Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants as follows:

(a) During the Qualified Project Period no less than 20% of the total number of completed units in the Project shall at all times be rented to and occupied by Very Low Income Tenants. For the purposes of this paragraph (a), a vacant unit which was most recently occupied by a Very Low Income Tenant is treated as rented and occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Very Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low Income Tenants. However, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant. Until such next available unit is rented, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the twenty percent (20%) requirement of Section 4(a) hereof.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Very Low Income Tenant, including (i) an Income Certification dated, with respect to existing Very Low Income Tenants, within 60 days after the date that the Borrower acquires the Project and, with respect to new Very Low Income Tenants, immediately prior to the initial occupancy of such Very Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Very Low Income Tenant; provided that such certification with respect to any tenant shall in no case cover a period greater than one year. The Borrower will provide such additional information as may be

required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. A copy of the most recent Income Certifications for Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this Section 4.

The Borrower shall make a good faith effort to verify that the income information provided by an applicant in a Verification of Income is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Issuer.

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units, and will permit any duly authorized representative of the Issuer, the Bondowner Representative, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(e) The Borrower will prepare and submit to the Issuer, the Program Monitor, if applicable, and the Bondowner Representative, no later than the fifteenth day of each calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project that were occupied or deemed occupied pursuant to subsection (a) hereof, by Very Low Income Tenants during the preceding calendar quarter; and (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, the Loan Agreement or the Deed of Trust, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default.

(f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Deed of Trust. All leases pertaining to Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Very Low Income Unit: (i) certifies the accuracy of the statements made in the Verification of Income; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Bondowner Representative, the Issuer or the Program Monitor on behalf of the Issuer, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the Verification of Income and supporting information supplied by the Very Low Income Tenant in determining qualification for occupancy of the Very Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject

to annual certification in accordance with Section 4(c) and that if upon any such certification such tenant's Adjusted Income exceeds the applicable income limit under Section 4(b), such tenant may cease to qualify as a Very Low Income Tenant and such tenant's rent may be subject to increase.

Section 5. [Tax-Exempt Status of Bonds](#). The Borrower and the Issuer, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Borrower and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Bonds and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Agent, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of Los Angeles.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and, to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 6. [Additional Requirements of the Act](#). In addition to the requirements set forth above, the Borrower hereby agrees that it shall comply with each of the requirements of the Act applicable to the project without limiting the foregoing, the Borrower agrees as follows:

(a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by "low income tenants" as required by subsection (c) of the Act, one-half of which units shall be made available to Very Low Income Tenants.

(b) The rental payments for the Very Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 50% of the median adjusted gross income for the Area.

(c) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, very low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) No tenant residing in a unit reserved as required by subsection (a) of this Section shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for low income tenants or Very Low Income Tenants. However, should the Adjusted Income of a tenant residing in a reserved unit increase to exceed the qualifying limit, the next available unit must be rented to (or held vacant and available for immediate occupancy by) a tenant whose income satisfies the requirement of Section 4(a) hereof. Until such next available unit is rented to a qualified tenant, the former low income tenant or Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a low income tenant or Very Low Income Tenant for purposes of the requirement of Section 4(a) hereof.

(e) The units reserved for occupancy as required by subsection (a) of this Section shall remain available on a priority basis for occupancy until the Bonds are retired.

Section 7. [Additional Requirements of the Issuer](#). In addition to the requirements set forth above and to the extent not prohibited thereby, the Borrower hereby agrees to comply with each of the requirements of the Issuer set forth in this Section 7, as follows:

(a) Not less than 20% of the units in the Project shall be available on a priority basis for occupancy by Very Low Income Tenants paying rents not to exceed Affordable Rents. The requirements of this Section and Sections 4(a) and 6(a) are not cumulative, but each must be satisfied.

(b) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Issuer, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer.

(c) The Borrower shall submit to the Issuer, (i) not later than the fifteenth (15th) day after the close of each calendar year, a statistical report in the form set forth as [Exhibit D](#) hereto, or such other form as may be prescribed by the Issuer, setting forth the information called for therein, and (ii) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State of California, including without limitation information necessary for the Issuer to file the annual report required by Section 8855.5 of the California Government Code.

(d) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(e) Each of the requirements of Sections 3, 4 and 6 hereof is hereby incorporated as a specific requirement of the Issuer, whether or not required by California or federal law, and shall be in force for the Qualified Project Period.

(f) The Borrower acknowledges that the Issuer may appoint a Program Monitor other than the Issuer (at no additional cost to the Borrower) to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. In such event, the Borrower shall comply with any request by the Issuer to



deliver to any such Program Monitor, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Program Monitor as an agent of the Issuer.

(g) The Borrower shall pay an annual administration fee for the Issuer in an amount equal to \$3,625, which fee shall be payable to the Bondowner Representative in advance on each anniversary of the Closing Date (commencing on the Closing Date and continuing through the termination of this Regulatory Agreement). The Borrower will also pay, within thirty (30) days after receipt of request for payment thereof, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Regulatory Agreement or the Loan Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Loan or the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Bonds, the Borrower shall continue to pay (or, to the extent allowed under the Code, may prepay the present value at such time of) the Issuer's fees, unless such prepayment is made in connection with a refunding of the Bonds.

(h) The Borrower shall comply with the conditions set forth in Exhibit A of that certain CDLAC Resolution No. 03-33 relating to the Project and adopted on March 26, 2003 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an authorized representative of the Borrower. The Issuer and the Program Monitor shall have no obligation to monitor the Borrower's compliance with the CDLAC Conditions.

Any of the foregoing requirements of the Issuer (except subsection (h) above which may be expressly waived by CDLAC) may be expressly waived by the Issuer in writing, but (i) no waiver by the Issuer of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an Opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Issuer and the Borrower receive an Opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other state or federal law.

Section 8. [Modification of Covenants](#). The Borrower, the Agent and the Issuer hereby agree as follows:

(a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer, the Bondowner Representative and the Borrower, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and



if such requirements are applicable to the Project, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent that the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Issuer, the Bondowner Representative and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, at its sole discretion, the Bondowner Representative and the Borrower, and only upon receipt by the Issuer of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bonds or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.

(c) The Borrower, the Issuer and, if applicable, the Bondowner Representative, shall execute, deliver and, if applicable, file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Borrower and the Issuer hereby appoints the Bondowner Representative as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Borrower or the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer or the Borrower, the Bondowner Representative shall take no action under this subsection (c) without first notifying the Borrower or the Issuer, or both of them, as is applicable, and without first providing the Borrower or the Issuer, or both, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Bondowner Representative to execute an amendment to this Regulatory Agreement on behalf of the Issuer.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, its officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bond Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or transfer of the Bonds;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Loan or the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof;

- (iii) any lien or charge upon payments by the Borrower to the Issuer and the Agent hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer or the Agent in respect of any portion of the Project;
- (iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;
- (v) the defeasance and/or redemption, in whole or in part, of the Bonds;
- (vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any documents relating to the Bonds to which the Borrower is a party, or any omission from any such document of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading; or
- (vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable, for federal tax purposes.

Except in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

Notwithstanding any transfer of the Project to another borrower in accordance with the provisions of this Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless such Indemnified Party has consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

Notwithstanding anything to the contrary contained elsewhere in this Regulatory Agreement, if the Bondowner Representative, the Bondholders or any affiliate of any of them acquire title to the Project subject to the Regulatory Agreement, the party acquiring such title shall have no obligations or liabilities under this Section 9.

The provisions of this Section 9 shall survive the term of the Bonds and this Regulatory Agreement.

The provisions of this Section 9 shall survive the term of the Bonds and this Regulatory Agreement or the resignation or removal of the Bondowner Representative.

Section 10. [Consideration](#). The Issuer has agreed to issue the Bonds to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire and operate the Project. In consideration of the issuance of the Bonds by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. [Reliance](#). The Issuer and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Program Monitor and the Bondowner Representative may rely upon statements and certificates of the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Agent may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Agent hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Agent shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Agent by the Borrower or the Issuer with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

Section 12. [Sale or Transfer of the Project](#). For the Qualified Project Period, the Borrower shall not, except as provided below and in accordance with the Loan Agreement and the Deed of Trust, sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default hereunder or under the Loan Agreement (which may be evidenced by a Certificate of Continuing Program Compliance) or the purchaser or assignee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Very Low Income Units; and (4) the person or entity which is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably

requested by the Issuer or the Bondowner Representative with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and, if the Bonds are outstanding at the time of transfer, the Loan Agreement, including without limitation an instrument of assumption hereof and thereof, and delivery to the Issuer of an opinion of such purchaser or assignee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Issuer and Bondowner Representative of all fees and/or expenses then currently due and payable to the Issuer and Bondowner Representative; and (E) satisfaction of such other conditions as the Issuer may reasonably impose. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or any interest (direct or indirect) therein or in the Borrower. Upon any sale or other transfer that complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project. Any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions of this Section 12.

For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except pursuant or subordinate to the provisions of this Regulatory Agreement and the Mortgage (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Bonds; provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project), or except upon a sale, transfer or other disposition of the Project in accordance with the terms of this Regulatory Agreement; (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is removed is replaced with comparable property; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. [Term](#). This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds and discharge of the Pledge and Assignment and the Loan Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements hereof shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a

federal law or an action of a federal agency after the Closing Date, which prevents the Issuer and the Bondowner Representative from enforcing such provisions, or condemnation or foreclosure, transfer of title by deed in lieu of foreclosure, or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer, the Bondowner Representative and the Borrower upon receipt by the Issuer and the Bondowner Representative of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Issuer and the Borrower hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. [Default; Enforcement](#). If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer or the Bondowner Representative to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Issuer or the Bondowner Representative (as directed by the Issuer, subject to the provisions of the Indenture) acting on its own behalf or on behalf of the Issuer, shall declare an “Event of Default” to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds, and (iii) no Determination of Taxability occurs; and provided further, that notice shall be given to the Borrower’s Limited Partner (as designated in Section 23 of this Regulatory Agreement), who shall be entitled to cure any such default under the conditions set forth herein. The Issuer and the Bondowner Representative shall have the right to enforce the obligations of the Borrower under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Act or the Code.

Following the declaration of an Event of Default hereunder, the Issuer or the Bondowner Representative, at the direction of the Issuer, subject to the provisions of the Indenture, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

- (i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Issuer or the Bondowner Representative hereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;
- (iii) require the Borrower to pay to the Issuer an amount equal to the rent or other amounts received by the Borrower for any units in the Project which were in violation of this Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount due under the Loan);
- (iv) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder; and
- (v) subject to the provisions of the Loan Agreement, declare a default thereunder and proceed with any remedies provided therein.

The Borrower hereby agrees that specific enforcement of the Borrower’s agreements contained herein is the only means by which the Issuer may fully obtain the benefits of such agreements made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower hereunder.



In addition, during the Qualified Project Period, the Borrower hereby grants to the Issuer the option, upon the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 17 of the Borrower's default under this Regulatory Agreement, to lease up to 20% of the units in the Project for the purpose of subleasing such units to Very Low Income Tenants, but only to the extent necessary to comply with the provisions of Sections 3, 4, 6 and 7. The option granted in the preceding sentence shall be effective only if the Borrower has not instituted corrective action within such 60-day period. Such option shall be exercisable first with respect to units which are vacant at the time of exercise of this option and shall be exercised with respect to occupied units only to the extent that subleasing of additional units is necessary in order to bring the Project into compliance with the provisions of Sections 3, 4, 6 and 7, and any eviction carried out in connection with the exercise of such option shall be carried out in compliance with applicable laws. The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower or the Issuer, of compliance with the requirements of Sections 3, 4, 6 and 7, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer shall make diligent efforts to rent Very Low Income Units to Very Low Income Tenants for monthly rental amounts equivalent to those collected from tenants of similar units in the Project, or such lesser maximum amounts as may be permitted by Section 6(b) hereof, but shall not be required to obtain such rental amounts. The Issuer shall seek to rent such units for the highest possible rents that may be charged, consistent with the rent and occupancy restrictions of this Regulatory Agreement. Tenant selection shall be performed utilizing the Borrower's reasonable management and selection policies. The Issuer subleases to Very Low Income Tenants pursuant to this paragraph shall not exceed six months in term and shall expressly permit the Borrower to increase the rents to the maximum amounts as may be permitted by Section 6(b) hereof for the respective households at the time the Borrower assumes the Issuer's position hereunder. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any expenses incurred in connection with such sublease. All rents received by the Issuer from such subleases, less the Issuer's expenses incurred in connection with such subleases, shall be placed into an escrow reasonably approved by the Borrower. All funds in such escrow shall be continuously pledged by the Issuer for the benefit of the Borrower. The Issuer agrees to allow the Borrower access to the Issuer's books and records relating to the collection and disbursement of rents received pursuant to such subleases.

The Bondowner Representative shall have the right, in accordance with this Section and the provisions of the Indenture, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such action the Bondowner Representative shall give the Issuer written notice of its intended action. After the Indenture has been discharged, the Issuer may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Bondowner Representative.

All reasonable fees, costs and expenses of the Bondowner Representative and the Issuer incurred in taking any action pursuant to this Section shall be the sole responsibility of the Borrower.

No breach or default under this Regulatory Agreement shall defeat or render invalid any deed of trust, mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

The Bondowner Representative shall not be deemed to have knowledge of any default hereunder unless a responsible officer of the Bondowner Representative shall have been specifically notified in writing of such default by the Issuer, the Program Monitor or by the owners of at least 25% of the aggregate principal amount of Bonds outstanding.

Section 18. [The Bondowner Representative](#). The Bondowner Representative shall act as specifically provided herein and in the Indenture and may exercise such additional powers as are reasonably incidental hereto and thereto. The Bondowner Representative shall have no duty to act with respect to enforcement of the Borrower's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17. The Bondowner Representative may act as the Bondowner Representative of and on behalf of the Issuer, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Bondowner Representative. In connection with any such performance, the Bondowner Representative is acting solely as Bondowner Representative under the Indenture and not in its individual capacity, and, except as expressly provided herein, all provisions of the Indenture relating to the rights, privileges, powers and protections of the Bondowner Representative, including without limitation those set forth in Section 10 thereof, shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Bondowner Representative in connection with this Regulatory Agreement. Neither the Bondowner Representative nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct.

The Issuer shall be (or shall cause the Program Monitor to be) responsible for the monitoring of the Borrower's compliance with the terms of this Regulatory Agreement. The Bondowner Representative shall not be responsible for such monitoring.

After the date on which no Bonds remain Outstanding, as provided in the Pledge and Assignment, the Bondowner Representative shall no longer have any rights, duties or responsibilities under this Regulatory Agreement and all references to the Bondowner Representative in this Regulatory Agreement shall be deemed references to the Issuer.

Section 19. [Recording and Filing](#). (a) The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the Issuer or the Bondowner Representative may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

(a) The Borrower and the Issuer will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Bond Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(b) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents executed and delivered in connection with a voluntary transfer of any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. [Payment of Fees](#). Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Indenture, the Borrower shall continue to pay to the Issuer and Bondowner Representative all fees, losses and expenses required under the Loan Agreement and the Pledge and Assignment as provided therein.



Section 21. [Governing Law](#). This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. [Amendments; Waivers](#). (a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Bondowner Representative and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Bond Counsel and a request that such Bond Counsel render to the Issuer an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. [Notices](#). Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Indenture, or at such other addresses as may be specified in writing by the parties hereto.

To the Issuer:	Housing Authority of the County of Los Angeles 2 Coral Circle Monterey Park, California 91755 Attention: Director, Housing Development and Preservation Division Telephone: (323) 890-7269 Facsimile: (323) 890-9715
To the Borrower:	Hayvenhurst Limited Partnership, a California limited partnership

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Telephone:  
Facsimile:

To the Bondowner

Representative: Wells Fargo Bank, National Association

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone:

Facsimile:

To the Investor  
Limited Partner:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone:

Facsimile:

The Issuer, the Program Monitor, the Bondowner Representative and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given three Business Days after the date of mailing. The Bondowner Representative shall receive a copy of all notices sent to the Issuer.

Section 24. [Severability](#). If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. [Multiple Counterparts](#). This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. [Limitation on Liability](#). Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Borrower under this Regulatory Agreement to any person or entity, including, but not limited to, the Bondowner Representative or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, the Revenues, including the amounts held in the funds and accounts created under the Indenture, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Borrower under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower's obligations under this Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Indenture, any rights of the Borrower under the Indenture or any other documents relating to the Bonds or any rights of the Borrower under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement and the Pledge and Assignment or any agreement securing the obligations of the Borrower under this Regulatory

Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding.

Section 27. [Third-Party Beneficiary](#). CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 7 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Bondholders.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Issuer, the Bondowner Representative and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

THE HOUSING AUTHORITY OF THE COUNTY  
OF LOS ANGELES

By \_\_\_\_\_  
Executive Director

Approved as to form:

LLOYD W. PELLMAN,  
County Counsel

By \_\_\_\_\_  
Deputy

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Bondowner Representative

By \_\_\_\_\_  
Authorized Officer

HAYVENHURST LIMITED PARTNERSHIP,  
a California limited partnership

By: West Hollywood Community Housing  
Corporation, a California nonprofit  
corporation

By \_\_\_\_\_  
Its: \_\_\_\_\_

**[Attach Notary Acknowledgements]**

**EXHIBIT A**

**DESCRIPTION OF REAL PROPERTY  
RELATING TO THE PROJECT**

**EXHIBIT B**

\_[FORM OF INCOME CERTIFICATION]

VERIFICATION OF INCOME

RE: [Name of Project]  
[Address of Project]

Apartment Number: \_\_\_\_\_. Initial Occupancy Date: \_\_\_\_\_.

I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, and truthfully each of the following questions for all persons who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

<b><u>1.</u></b> <b><u>Name of</u></b> <b><u>Members</u></b> <b><u>of the Household</u></b>	<b><u>2.</u></b> <b><u>Relationship to</u></b> <b><u>Head of</u></b> <b><u>Household</u></b>	<b><u>3.</u></b>  <b><u>Age</u></b>	<b><u>4.</u></b>  <b><u>Social</u></b> <b><u>Security</u></b> <b><u>Number</u></b>	<b><u>5.</u></b>  <b><u>Place of</u></b> <b><u>Employment</u></b>
	<u>Head of Household</u>			
	<u>Spouse</u>			

\_\_\_\_\_ 6. \_\_\_\_\_ The anticipated income of all the above persons during the 12-month period beginning this date, including income described in (a) below, but excluding all income described in (b) below, is \$\_\_\_\_\_.

(a) The amount set forth above includes all of the following income (unless such income is described in (b) below):

(i) all wages and salaries, over-time pay, commissions, fees, tips and bonuses before payroll deductions;

(ii) net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);

(iii) interest and dividends (include all income from assets as set forth in item 7(b) below);

\_\_\_\_\_ (iv) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(v) payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay;

(vi) the maximum amount of public assistance available to the above persons;

(vii) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;

(viii) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and

(ix) any earned income tax credit to the extent it exceeds income tax liability.

\_\_\_\_\_ (b) The following income is excluded from the amount set forth above:

(i) casual, sporadic or irregular gifts;

(ii) amounts which are specifically for or in reimbursement of medical expenses;

(iii) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;



(iv) amounts of educational scholarships paid directly to a student or an educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes;

(v) hazardous duty to a member of the household in the armed forces who is away from home and exposed to hostile fire;

(vi) relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(vii) income from employment of children (including foster children) under the age of 18 years;

(viii) foster child care payments;

(ix) the value of coupon allotments under the Food Stamp Act of 1977;

(x) payments to volunteers under the Domestic Volunteer Service Act of 1973;

(xi) payments received under the Alaska Native Claims Settlement Act;

(xii) income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;

(xiii) payments on allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;

(xiv) payments received from the Job Partnership Training Act;

(xv) income derived from the disposition of funds of the Grand River Band of Ottawa Indians; and

(xvi) the first \$2000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims or from funds held in trust for an Indian tribe by the Secretary of Interior.

7. If any of the persons described in column 1 above (or any person whose income or contributions were included in item 6) has any savings, stocks, bonds, equity in real property or other form of capital investment (excluding interests in Indian trust lands), provide:

(a) the total value of all such assets owned by all such persons:  
\$ \_\_\_\_\_, and

\_\_\_\_\_ (b) the amount of income expected to be derived from such assets in  
the 12-month period commencing this date:  
\$ \_\_\_\_\_.

8. (a) Will all of the persons listed in column 1 above be or have  
they been full-time students during five calendar months of this calendar year at an  
educational institution (other than a correspondence school) with regular faculty and  
students?

Yes \_\_\_\_\_ No \_\_\_\_\_

(b) (Complete only if the answer to Question 8(a) is "Yes") Is any such  
person (other than nonresident aliens) married and eligible to file a joint federal income  
tax return?

Yes \_\_\_\_\_ No \_\_\_\_\_

We acknowledge that all of the foregoing information is relevant to the  
status under federal income tax law of the interest on bonds issued to finance the  
acquisition and rehabilitation of the apartment building for which application is being  
made. We consent to the disclosure of such information to the issuer of such bonds, the  
holders of such bonds, any agent acting on their behalf and any authorized agent of the  
Treasury Department or Internal Revenue Service.

We declare under penalty of perjury that the foregoing is true and correct.

Date: \_\_\_\_\_

\_\_\_\_\_  
Head of Household

\_\_\_\_\_  
Spouse

**FOR COMPLETION BY PROJECT BORROWER ONLY:**

**I. Calculation of eligible income:**

(A) Enter amount entered for entire household from 6 above:

\$ \_\_\_\_\_

(B) If the amount entered in 7(a) above is greater than \$5,000, enter:

(i) the product of the amount entered in 7(a) above  
multiplied by the current passbook savings rate  
as determined by HUD: \$ \_\_\_\_\_

(ii) the amount entered in 7(b) above: \$ \_\_\_\_\_

(iii) line (i) minus line (ii) (if less than \$0, enter \$0): \$ \_\_\_\_\_

(C) TOTAL ELIGIBLE INCOME: \$ \_\_\_\_\_  
(Line I(A) plus line I(B)(iii))

**II. Qualification as individuals or a family of Very Low Income:**

(A) Is the amount entered in line I(C) less than 50% of median gross income for the Area?

Yes \_\_\_\_\_ No \_\_\_\_\_

(B) (i) If line II(A) is "No," then the household does not qualify as individuals or a family of Very Low Income; go to item III.

(ii) If line II(A) above is "Yes" and 8(a) above is "No," then the household qualifies as individuals or a family of Very Low Income; go to item III.

(iii) If line II(A) above is "Yes" and 8(b) above is "Yes," then the household qualifies as individuals or a family of Very Low Income; go to item III.

(iv) If neither (ii) nor (iii) is applicable, then the household does not qualify as individuals or a family of Very Low Income.

III. (Check one)

The household does not qualify as individuals or a family of Very Low Income.

\_\_\_\_\_.

The household qualifies as individuals or a family of Very Low Income.

\_\_\_\_\_.

IV. Number of apartment unit assigned: \_\_\_\_\_  
(enter here and on page one)

\_\_\_\_\_  
Borrower

NOTE TO PROJECT BORROWER: A vacant unit previously occupied by individuals or a family of Very Low Income, may be treated as occupied by individuals or a family of Very Low Income until reoccupied, other than for a period of 31 consecutive days or less, at which time the character of the unit shall be redetermined.

## OCCUPANCY CERTIFICATE

(To be filed with the Program Monitor along with a Verification of Income upon the rental of a unit in the Project.)

Project: HAVENHURST APARTMENTS

The tenant identified in the attached Verification of Income has entered into a lease with respect to a unit in the above-described Project.

Such tenant is / is not (*circle one*) a Very Low Income Tenant.

The rental of a unit to such tenant will not result in a violation of any of the requirements of the Loan Agreement or the Regulatory Agreement to which the Borrower is a party.

Witness

Borrower

Date:

Date:

**EXHIBIT C**

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ the undersigned, having borrowed certain funds from The Housing Authority of The County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project"), does hereby certify that:

1. During the preceding month (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, (ii) \_\_\_% of the units in the Project were occupied by Very Low Income Tenants (minimum of 20% at Affordable Rents).

Set forth below are the names of Very Low Income Tenants who commenced or terminated occupancy during the preceding month.

Commenced Occupancy	Terminated Occupancy
1.	1.
_____2.	2.
3.	3.

The units occupied by Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Very Low Income Tenants who commenced occupancy of units during the preceding month.

2. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Loan Agreement or the Deed of Trust.] [A default has occurred. The nature of the default and the measures being taken to remedy such default are as follows: \_\_\_\_\_.]

3. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: \_\_\_\_\_

\_\_\_\_\_







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Total Number of Units: \_\_\_\_\_

Percentage of Very Low Income Units: \_\_\_\_\_

Number of Very Low Income Tenants commencing occupancy this month:

\_\_\_\_\_

## **EXHIBIT D**

[Form of]

### STATISTICAL REPORT TO ISSUER

Reporting Period: \_\_\_\_\_, \_\_\_\_\_. Date:

As of the date hereof:

1. Total units: \_\_\_\_\_; units occupied by Very Low Income Tenants: \_\_\_\_\_; \_\_\_\_\_;  
vacant units most recently occupied by Very Low Income Tenants: \_\_\_\_\_; other vacant units: \_\_\_\_\_.

2. Total units occupied by households with children, to the extent such information has been  
provided by tenants: \_\_\_\_\_; Very Low Income Units so occupied: \_\_\_\_\_;

3. To the extent such information has been provided by tenants, total units occupied by  
elderly households with a member of age 62 or over: \_\_\_\_\_; Very Low Income Units so occupied:  
\_\_\_\_\_;

4. The number of Very Low Income Tenants who terminated their rental agreements during  
the previous twelve (12) month period is \_\_\_\_\_.

5. The number of units rented to new Very Low Income Tenants during the last twelve (12)  
month period is \_\_\_\_\_.

6. To the extent such information has been provided by tenants, the family names of each  
household currently occupying a Very Low Income Unit are listed on the schedule attached hereto.

7. The number of Very Low Income Units of various sizes is:

studio:

one-bedroom:

two-bedroom:

three-bedroom:

HAYVENHURST LIMITED PARTNERSHIP,  
A CALIFORNIA LIMITED PARTNERSHIP

By \_\_\_\_\_  
Borrower Representative

**EXHIBIT E**  
**CERTIFICATE OF CDLAC PROGRAM COMPLIANCE**

Witnesseth that on this \_\_\_\_ day of \_\_\_\_\_, \_\_, the undersigned, having borrowed certain funds from The Housing Authority of the County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project") located in the County Los Angeles, California, does hereby certify that:

1. [The Borrower is in compliance with the CDLAC Conditions (as defined in the Regulatory Agreement relating to the Project).] [The Borrower is not in compliance with Condition No. \_\_\_\_ of the CDLAC Conditions. The following measures are being taken to remedy such noncompliance \_\_\_\_\_.]
2. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_  
\_\_\_\_\_  
Borrower Representative

RECORDING REQUESTED BY AND  
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP  
400 Sansome Street  
San Francisco, CA 94111  
Attention: Stephen A. Spitz, Esq.

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**REGULATORY AGREEMENT AND  
DECLARATION OF RESTRICTIVE COVENANTS**

By and Among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Bondowner Representative

and

HAYVENHURST LIMITED PARTNERSHIP,  
A CALIFORNIA LIMITED PARTNERSHIP

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Dated as of June 1, 2003

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Relating to:

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES  
MULTIFAMILY HOUSING REVENUE BONDS  
(HAVENHURST APARTMENTS), 2003 SERIES A**

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**INDENTURE OF TRUST**

**by and between the**

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**

**and**

**WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as the initial Bondowner Representative**

**Dated as of June 1, 2003**

**Relating to:**

**\$2,900,000  
The Housing Authority of the County of Los Angeles  
Multifamily Housing Revenue Bonds  
(Havenhurst Apartments),  
2003 Series A**

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## INDENTURE OF TRUST

This Indenture of Trust, dated as of June 1, 2003 (this "Indenture"), is by and between The Housing Authority of the County of Los Angeles, a public body corporate and politic of the State of California (herein called the "Authority"), and Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States of America, as Bondowner Representative (herein called the "Bondowner Representative").

### WITNESSETH:

**WHEREAS**, pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act"), the Authority proposes to issue its The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (Havenhurst Apartments), 2003 Series A (the "Bonds"); and

**WHEREAS**, the proceeds of the Bonds will be used to fund a loan to Hayvenhurst Limited Partnership, a California limited partnership (the "Borrower"), pursuant to the Loan Agreement, dated as of June 1, 2003 (the "Loan Agreement"), between the Authority and the Borrower, to provide financing for the rehabilitation of a multifamily rental housing project known as Havenhurst Apartments, to consist of 23 housing units (plus one manager's unit), located in the City of West Hollywood, California (the "Development"); and

**WHEREAS**, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Authority has authorized the execution and delivery of this Indenture; and

**WHEREAS**, all conditions, things and acts required by the Act, and by all other laws of the State of California, to exist, have happened and have been performed in satisfaction of conditions precedent to and in connection with the issuance of the Bonds exist, have happened, and have been performed in due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the Bonds for the purpose, in the manner and upon the terms herein provided; and

**WHEREAS**, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Bondowner Representative and duly issued, the valid and binding limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized.

### AGREEMENT:

**NOW, THEREFORE, THIS INDENTURE WITNESSETH**, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Authority covenants and agrees with the Bondowner Representative, for the equal and

proportionate benefit of the respective registered owners from time to time of the Bonds, as follows:

1.

## DEFINITIONS AND GENERAL PROVISIONS

2. **Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.1 shall, for all purposes of this Indenture and of the Loan Agreement and of any indenture supplemental hereto or agreement supplemental thereto, have the meanings herein specified, as follows:

The term “**Act**” shall mean Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California.

The term “**Administrator**” shall mean the Authority, or any substitute or replacement administrator appointed by the Authority as agent of the Authority in the administration of the Regulatory Agreement.

The term “**Affiliates**” or “**Affiliate**” means, if with respect to a corporation, (i) any officer or director thereof and any person, trust, corporation, partnership, venture or other entity who or which is, directly or indirectly, the beneficial owner of more than 10% of any class of shares or other equity security, or (ii) any person, trust, corporation, partnership, venture or other entity which, directly or indirectly, controls or is controlled by or is under common control with such corporation. “Control” (including the correlative meanings of “controlled by” and “under common control with”), for the purposes of this definition, means effective power, directly or indirectly, to direct or cause the direction of the management and policies of such person, trust, corporation, partnership, venture or other entity; if, with respect to a partnership or venture, any (i) general partner, (ii) general partner of a general partner, (iii) partnership with a common general partner, or (iv) co-venture thereof, and if any general partner or co-venture is a corporation, any person, trust, corporation, partnership, venture or other entity which is an affiliate as defined above of such corporation; and, if with respect to a limited liability company, (i) any member or (ii) any person or entity which is an Affiliate (as defined above).

The term “**Agreement**” or “**Loan Agreement**” shall mean the Loan Agreement, dated as of June 1, 2003, among the Authority, the Borrower and Wells Fargo Bank, National Association, pursuant to which the Authority agrees to lend the proceeds of the Bonds to the Borrower, as originally executed or as it may from time to time be supplemented or amended in accordance with its terms.

The term “**Authority**” shall mean The Housing Authority of the County of Los Angeles, the issuer of the Bonds hereunder, and its successors and assigns as provided in Section 11.1.

The term “**Authorized Authority Representative**” shall mean the Executive Director of the Authority, or any other person designated to act in such capacity by a Certificate of the Authority containing the specimen signature of any of such persons which certificate may designate an alternate or alternates.

The term “**Authorized Amount**” shall mean \$2,900,000, the authorized maximum principal amount of the Bonds.

The term “**Authorized Borrower Representative**” shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Authority and the Bondowner Representative containing the specimen signature of such person and signed

on behalf of the Borrower by the General Partner of the Borrower, which certificate may designate an alternate or alternates.

The term “**Bond Counsel**” shall mean (i) Orrick, Herrington & Sutcliffe LLP, or (ii) any attorney at law or other firm of attorneys selected by the Borrower and acceptable to the Authority of nationally recognized standing in matters pertaining to the federal tax status of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Borrower.

The term “**Bond Fund**” shall mean the fund established pursuant to Section 5.2 hereof.

The term “**Bondowner Representative**” shall mean (a) initially, Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States of America, (b) if Bond Conversion occurs, CCRC, (c) any successor to either under Section 8.8 hereof, or (d) subject to the provisions of Section 8.7 any entity that is the owner of a majority in principal amount of the Bonds then Outstanding or a person selected by the owners of a majority in principal amount of the Bonds then Outstanding.

The term “**Bonds**” shall mean The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (Havenhurst Apartments), 2003 Series A, issued and outstanding hereunder.

The term “**Borrower**” shall mean Hayvenhurst Limited Partnership, a California limited partnership, and its successors and assigns under the provisions of Section 6.2 of the Loan Agreement.

The term “**Business Day**” shall mean any day other than a Saturday, Sunday, legal holiday, day on which banking institutions in the city in which the Bondowner Representative’s Principal Office is located are authorized or obligated by law or executive order to close.

The term “**Certificate of the Authority**” shall mean a certificate of the Authority signed by an Authorized Authority Representative.

The term “**Certified Resolution**” shall mean a copy of a resolution of the Authority certified by the Secretary of the Authority, to have been duly adopted by the Authority and to be in full force and effect on the date of such certification.

The term “**Closing Date**” shall mean June \_\_, 2003, the date of initial delivery of the Bonds and funding of the Initial Disbursement.

The term “**Code**” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

The term “**Collateral**” shall have the meaning set forth in Section 7.2 hereof.

The term “**Debt Service**” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

The term “**Deed of Trust**” shall mean the Construction Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing, executed by the Borrower in favor of the Bondowner Representative, for the purpose of securing the obligations of the Borrower under the Loan Agreement, as such deed of trust may be originally executed or as from time to time supplemented and amended.

The term “**Default Rate**” means the interest rate then in effect on the Bonds plus five percent (5%).

The term “**Development**” means the multifamily rental housing facility previously acquired and to be constructed by the Borrower with the proceeds of the Loan located in the City of West Hollywood, California, including structures, buildings, fixtures or equipment, as it may at any time exist, and any structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities, and a fee interest in the land on which such housing is situated.

The term “**Development Costs**” has the meaning given such term in the Loan Agreement.

The term “**Event of Default**” as used herein other than with respect to defaults under the Loan Agreement shall have the meaning specified in Section 7.1 hereof, and as used in the Loan Agreement shall have the meaning specified in Section 7.1 thereof.

The term “**Fair Market Value**” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (c) the investment is a United States Treasury Obligation-State Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (d) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

The term “**Holder**,” “**holder**” or “**Bondholder**” or “**owner**” or “**Bondowner**” shall mean the person in whose name any Bond is registered.

The term “**Indenture**” shall mean this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

The term “**Initial Disbursement**” means the initial advance of the proceeds of the Bonds on the Closing Date in an amount equal to \$55,000.

The term “**Interest Payment Date**” shall mean the first Business Day of each month, commencing July 1, 2003.

The term “**Investment Securities**” shall mean any of the following (including any funds comprised of the following, which may be funds maintained or managed by the Bondowner Representative and its affiliates), but only to the extent that the same are acquired at Fair Market Value:

(a) United States Treasury notes, bonds, bills, or those for which the full faith and credit of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, are pledged for the payment of principal and interest (including State and Local Government Series);

(b) shares of an investment company (1) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal

Securities Act of 1933, (2) whose only investments are in (i) securities described in the preceding clause (a), (ii) general obligation tax-exempt securities rated A or better by the Rating Agency, or (iii) repurchase agreements or reverse repurchase agreements fully collateralized by those securities if the repurchase agreements or reverse repurchase agreements are entered into only with those primary reporting dealers to report to the Federal Reserve Bank of New York and with the 100 largest United States commercial banks, and (3) which are rated Am or Am-g or better by the Rating Agency;

(c) any security which is a general obligation of any state or any local government with taxing powers which is rated A or better by the Rating Agency;

(d) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated A-1 by the Rating Agency and matures in 270 days or less; or

(e) any other investment approved in writing by the Bondowner Representative.

The term **“Issuance Costs”** means all costs and expenses of issuance of the Bonds, including, but not limited to: (a) underwriters’ discount and fees; (b) counsel fees, including bond counsel and Borrower’s counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds or the Loan; (c) the Authority’s fees and expenses incurred in connection with the issuance of the Bonds, including fees of any counsel or advisor to the Authority, and the Authority administrative fee for processing the request of the Borrower to issue the Bonds; (d) Bondowner Representative’s fees and Bondowner Representative’s counsel fees; (e) paying agent’s and certifying and authenticating agent’s fees related to issuance of the Bonds; (f) accountant’s fees related to issuance of the Bonds; (g) publication costs associated with the financing proceedings; and (h) costs of engineering and feasibility studies necessary to the issuance of the Bonds.

The term **“LIBO Rate”** means the greater of

(a) (i) the rate of interest, rounded upward to the nearest whole multiple of one-sixteenth of one percent (0.0625%), quoted by Wells Fargo Bank, National Association, or its successors as Bondowner Representative, as the London Inter-Bank Offered Rate in effect for deposits in U.S. Dollars at approximately 9:00 a.m., California time, as of the date on which a Variable Rate is to be adjusted under this Indenture (or, if such date is not a Business Day, as of the last Business Day prior to such date) for purposes of calculating effective rates of interest for loans or obligations making reference thereto for an amount approximately equal to the outstanding principal balance of the Bonds and for a period of time approximately equal to one month, divided by (ii) one (1.00) minus the Reserve Percentage; or

(b) \_\_\_\_\_ percent (\_\_\_\_%) per annum.

The term **“Loan”** shall mean the loan made by the Authority to the Borrower pursuant to the Agreement for the purpose of financing the rehabilitation by the Borrower of the Development. The term **“Loan Agreement”** shall mean the Agreement, as defined herein.



The term “**Mandatory Redemption Event**” shall have the meaning set forth in Section 7.1 hereof.

The term “**Note**” means the promissory note evidencing the obligation of the Borrower to repay the Loan, in the form required by the Loan Agreement.

The term “**Opinion of Counsel**” shall mean a written opinion of counsel, who may be counsel for the Authority, Bond Counsel or counsel for the Bondowner Representative.

The term “**outstanding**”, when used as of any particular time with reference to Bonds, shall, subject to the provisions of Section 11.8(e), mean all Bonds theretofore authenticated and delivered by the Bondowner Representative under this Indenture except:

(a) Bonds theretofore canceled by the Bondowner Representative or surrendered to the Bondowner Representative for cancellation;

(b) Bonds for the payment or redemption of which moneys or securities in the necessary amount (as provided in Section 10.1) shall have theretofore been deposited with the Bondowner Representative (whether upon or prior to the maturity or the redemption date of such Bonds); and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bondowner Representative pursuant to the terms of Section 2.5.

The term “**person**” shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

The term “**Principal Office**” shall mean the office of the Bondowner Representative located at the address set forth in Section 11.6 hereof, or at such other place as the Bondowner Representative shall designate by notice given under said Section 11.6.

The term “**Principal Payment Date**” shall mean any date on which principal of the Loan is due and payable under the Note.

The term “**Rating Agency**” shall mean Standard & Poor’s Ratings Group, a division of the McGraw-Hill Companies Inc., or its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized rating agency designated by the Authority.

The term “**Redemption Date**” shall mean any date designated as a date upon which Bonds are to be redeemed pursuant to this Indenture.

The term “**Regulations**” means the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time or pursuant to any predecessor statute to the Code.

The term “**Regulatory Agreement**” shall mean the Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith, by and between the Authority and the Borrower.

The term “**Reserve Percentage**” means, at any time, the percentage announced by Bondholder Representative as the reserve percentage under Regulation D (as promulgated by the Board of Governors of the Federal Reserve System, or its successor) for loans and obligations making reference to a Variable Rate for a specified period, or time remaining in a specified period, as appropriate. The Reserve Percentage shall be based on Regulation D or other regulations from time to time in effect concerning reserves for Eurocurrency Liabilities (as defined in Regulation D) from related institutions as though Bondholder Representative were in a net borrowing position.

The term **“Reserved Rights”** means those certain rights of the Authority under the Loan Agreement to indemnification and to payment or reimbursement of fees and expenses of the Authority and its agents, including the Authority’s annual fee as well as the fees and expenses of counsel, indemnity payments, its right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorney’s fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Authority), its right to receive notices under the Loan Agreement and its rights to give or withhold consent to amendments, changes, modifications and alterations to the Loan Agreement. The term **“Responsible Officer”** of the Bondowner Representative shall mean any officer of the Bondowner Representative assigned to administer its duties hereunder.

The term **“Revenues”** shall mean all amounts pledged hereunder to the payment of principal of and premium, if any, and interest on the Bonds, consisting of any repayments of the Loan required or permitted to be made by the Borrower pursuant to Sections 3.3(a) through (h) of the Loan Agreement; but such term shall not include payments to the United States, the Authority, the Administrator or the Bondowner Representative pursuant to Sections 2.3, 3.3(i), 3.3(j), 3.4, 6.1, 6.2, 6.21, 6.34, 17.5 or 18.1 of the Agreement or Sections 6.8 or 8.6 hereof or Sections 7, 9 or 17 of the Regulatory Agreement.

The term **“Sophisticated Investor”** means a “qualified institutional buyer” within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended.

The term **“supplemental indenture”** or **“indenture supplemental hereto”** shall mean any indenture hereafter duly authorized and entered into between the Authority and the Bondowner Representative in accordance with the provisions of this Indenture.

The term **“Variable Rate”** shall mean the following rate of interest, rounded upward to the next whole multiple of one-hundredth of one percent (0.01%), which shall be calculated by the Bondowner Representative: the sum of (i) the LIBO Rate in effect as of the first day of each calendar month plus (ii) \_\_\_\_ percent (\_\_\_\_%) per annum; provided, however, that if any of the transactions necessary for the calculation of interest at a LIBO Rate should be or become prohibited or unavailable to Bondholder Representative, or if in Bondholder Representative’s good faith judgment it is not possible or practical for Bondholder Representative to set a LIBO Rate for a calendar month, the Variable Rate for such calendar month shall be a variable rate, changing with each change in the Prime Rate, equal to the sum of (i) the Prime Rate, plus (ii) \_\_\_\_\_ percent (\_\_\_\_%) per annum.

The terms **“Written Consent”**, **“Written Demand”**, **“Written Direction”**, **“Written Election”**, **“Written Notice”**, **“Written Order”**, **“Written Request”** and **“Written Requisition”** of the Authority or the Borrower shall mean, respectively, a written consent, demand, direction, election, notice, order, request or requisition signed on behalf of the Authority by an Authorized Authority Representative, or on behalf of the Borrower by an Authorized Borrower Representative.

### **3. Rules of Construction.**

4. The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders.

5. All references herein to “Articles”, “Sections” and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Indenture as originally executed; and the words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.
6. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

7.

### THE BONDS

8. **Authorization.** There are hereby authorized to be issued bonds of the Authority designated as “The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (Havenhurst Apartments), 2003 Series A” in the aggregate face amount (maximum principal amount) of \$2,900,000. No Bonds may be issued hereunder except in accordance with this Article. The maximum aggregate principal amount of Bonds which may be issued and outstanding under this Indenture shall not exceed the Authorized Amount.
9. **Terms of Bonds.** The Bonds shall be in substantially the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture, including any supplemental indenture.

The Bonds shall be issuable only as fully registered Bonds, without coupons, in the form of a single Bond in the face amount of \$2,900,000. The principal amount outstanding shall be equal to the aggregate of the purchase price of the Bonds advanced from time to time by the owners of the Bonds (which principal amount shall be, on the Closing Date, equal to the amount of the Initial Disbursement). The Bonds shall be dated the Closing Date, shall mature on \_\_\_\_\_ 1, \_\_\_\_\_, and shall be subject to redemption prior to maturity as provided in Article IV.

The Bonds shall bear interest, payable on each Interest Payment Date, from the Closing Date at the Variable Rate as determined by the Bondowner Representative and communicated to the Borrower and the Bondowners on the Closing Date and promptly following the first day of each calendar month. Notwithstanding the foregoing, the Bonds shall bear interest at the rate set forth in Section 6.29 of the Loan Agreement entitled “Loss of Tax Exclusion” under the conditions set forth in that Section. During the period that the Bonds bear interest at the Variable Rate, interest on the Bonds shall be computed on the basis of a 360 day year and actual days elapsed, and during any other period interest on the Bonds shall be computed on the basis of a 360 day year comprised of twelve 30 day months.

Each Bond shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from the Closing Date.

10. **Payment of Bonds.** Payment of the principal of and interest on any Bond shall be made in lawful money of the United States to the person appearing on the Bond registration books of the Bondowner Representative as the registered owner thereof on the applicable Interest Payment Date, such principal and interest to be paid by check mailed on the Interest Payment Date by first class mail, postage prepaid, to the registered owner at its address as it appears on such registration books, except that the Bondowner Representative may, at the request of any registered owner of Bonds, make payments of principal and interest on such Bonds by wire transfer to the account within the United States designated by such owner to the Bondowner Representative in writing, any such designation to remain in effect until withdrawn in writing.
11. **Execution of Bonds.** The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of the Chair of the Board of Commissioners of the Authority, and attested by the manual or facsimile signature of the Executive Officer-Clerk of the Board of Commissioners of the Authority . The Bonds shall then be delivered to the Bondowner Representative for authentication by the Bondowner Representative. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Bondowner Representative or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Authority as though the officers who signed the same had continued to be such officers of the Authority. Also, any Bond may be signed on behalf of the Authority by such persons as on the actual date of the execution of such Bond shall be the proper officers although on the nominal date of such Bond any such person shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, manually executed by the Bondowner Representative, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture and such certificate of the Bondowner Representative shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**12. Transfer of Bonds.**

13. Any Bond may, in accordance with the terms of this Indenture but in any event subject to the provisions of Section 2.5(b) hereof, be transferred upon the books of the Bondowner Representative required to be kept pursuant to the provisions of Section 2.6, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Bondowner Representative, accompanied by a written instrument of transfer in a form acceptable to the Bondowner Representative, duly executed. Bonds may be exchanged for smaller denominations, so long as the aggregate amount of all Bonds of each denomination is not in excess of the principal amount of the Bonds then outstanding. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Bondowner Representative shall authenticate and deliver a new Bond.

14. Except as provided in Section 2.05(d) below, the following shall apply to all transfers of the Bonds after the initial delivery of the Bonds:
15. the Bonds, in the form attached hereto as Exhibit A, shall be physical certificated instruments, and shall not be held in a book-entry only system unless approved in advance in writing by the Authority in its sole discretion;
16. the Bonds shall be transferred only in whole to a Sophisticated Investor;
17. each transferee of the Bonds, other than a transferee that is an entity controlled by, controlling or under common control with, Wells Fargo Bank, National Association, shall deliver to the Authority an investor's letter in substantially the form of Exhibit B hereto; and
18. the Bondowner Representative shall not authenticate or register a Bond unless the conditions of this Section 2.05(b) have been satisfied.
19. The Bondowner Representative shall require the payment by the Bondholder requesting any such transfer of any tax, fee or other governmental charge required to be paid with respect to such transfer, but any such transfer shall otherwise be made without charge to the Bondholder requesting the same. The cost of printing any Bonds and any services rendered or any expenses incurred by the Bondowner Representative in connection therewith shall be paid by the Borrower.
20. The Bondowner Representative shall indemnify and defend the Authority and the officers, directors, employees, attorneys and agents of the Authority against any claim brought by any transferor or transferee of the Bonds in respect of the Bonds, this Indenture or any of the Loan Documents in the event that there occurs a transfer of the Bonds.
21. Notwithstanding any other provision of this Indenture, the Transfer Date shall not occur unless there shall be delivered to the Authority an opinion of Bond Counsel to the effect that, following the Transfer Date, the interest on the Bonds will be excluded from the gross incomes of the owners of the Bonds for purposes of federal income taxation subject to customary exceptions. The Authorized Authority Representatives are hereby authorized to execute and deliver any Internal Revenue Service forms and any tax, non-arbitrage or other related certificates, all as reviewed and approved by Bond Counsel and Authority counsel, as required by Bond Counsel in order to render the opinion described in the preceding sentence.
22. **Bond Register.** The Authority hereby appoints the Bondowner Representative as registrar and authenticating agent for the Bonds. The Bondowner Representative will keep or cause to be kept at its Principal Office sufficient books for the transfer of the Bonds, which shall at all reasonable times upon reasonable notice be open to inspection by the Authority and the Borrower; and, upon presentation for such purpose, the Bondowner Representative as registrar shall, under such

reasonable regulations as it may prescribe, transfer or cause to be transferred, on said books, Bonds as hereinbefore provided.

**23.**

**ISSUANCE OF BONDS; APPLICATION OF PROCEEDS**

24. **Authentication and Delivery of the Bonds.** Upon the execution and delivery of this Indenture, the Authority shall execute the Bonds and deliver them to the Bondowner Representative. Thereupon, and upon satisfaction of the conditions set forth in this Section, and without any further action on the part of the Authority, the Bondowner Representative shall authenticate the Bonds in an aggregate face amount (maximum principal amount) not exceeding the Authorized Amount, and shall deliver them pursuant to the Written Order of the Authority hereinafter mentioned. Prior to the authentication and delivery of any of the Bonds by the Bondowner Representative, there shall have been delivered to the Bondowner Representative each of the following:
25. a Certified Resolution authorizing issuance and sale of the Bonds and execution and delivery by the Authority of the Indenture, the Loan Agreement and the Regulatory Agreement;
26. original executed counterparts of this Indenture, the Loan Agreement, the Deed of Trust, the Regulatory Agreement, the Security Agreement (as defined in the Loan Agreement), and all of the other Loan Documents (as defined in the Loan Agreement), all in form and content satisfactory to the Bondowner Representative, and the original executed Note; and
27. a Written Order of the Authority to the Bondowner Representative to authenticate and deliver the Bonds as directed in such Written Order, upon payment to the Bondowner Representative, for the account of the Authority, of the Initial Disbursement.
28. **Application of Proceeds of Bonds.** The Initial Disbursement and subsequent disbursements of the proceeds received from the sale of the Bonds shall be disbursed in accordance with Section 3.03.
29. **Disbursement of Bond Proceeds.** The Initial Disbursement on the Closing Date shall be disbursed by the Bondowner Representative to or upon the order of the Borrower to pay Project Costs (as such term is defined in the Regulatory Agreement).
30. The Authority hereby authorizes and directs the disbursement by the Bondowner Representative to or upon the order of the Borrower of the remaining principal amount of the Bonds from time to time upon receipt by the Bondowner Representative of a written request of the Borrower, accompanied by the documents required under Section 4.2 of the Loan Agreement, and a

determination of the Bondowner Representative that the conditions to disbursement contained in the Loan Agreement have been satisfied or waived.

31. The Bondowner Representative shall maintain, or cause to be maintained, complete and accurate records regarding its disbursement of the proceeds of the Bonds, and shall provide copies thereof to the Authority and the Borrower upon their written request.
32. Neither the Bondowner Representative nor the Authority shall be responsible for the application by the Borrower of monies disbursed to the Borrower in accordance with this Section 3.03.

### 33.

## REDEMPTION OF BONDS

34. **Circumstances of Redemption.** The Bonds are subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:
35. The Bonds shall be subject to redemption in whole or in part on any date, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, [plus a premium equal in amount to any premium payable pursuant to the Note or the Loan Agreement (including, but not limited to, Section 12 of the Note and Section 3.5 of the Loan Agreement)] in connection with the voluntary prepayment of the Note by the Borrower, as permitted therein, upon the voluntary prepayment of the Note in whole or in part.
36. The Bonds shall be subject to redemption in whole on any date at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, [plus a premium equal in amount to any premium payable pursuant to the Note or the Loan Agreement (including, but not limited to, Section 12 of the Note and Section 3.5 of the Loan Agreement)], upon the occurrence of an Event of Default under and as defined in the Loan Agreement and a written request of the Bondowner Representative that a redemption in full of the Bonds occur.
37. The Bonds shall be subject to mandatory redemption in whole on December 1, 2004 (June 1, 2005 if Borrower satisfies, or Bondowner Representative waives, the conditions contained in Section \_\_\_ of the Loan Agreement).
38. The Bonds shall be subject to mandatory redemption without, at the direction of the Bondowner Representative (given in accordance with the Loan Agreement or the Deed of Trust), in whole or in part on any date, from insurance proceeds received in connection with a partial or total casualty loss of the Project or a condemnation award in connection with a partial or complete taking of the Project, but only to the extent such proceeds or award are not used to repair, replace or restore the Project, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, [plus a

premium equal in amount to any premium payable pursuant to the Note or the Loan Agreement (including, but not limited to, Section 12 of the Note and Section 3.5 of the Loan Agreement)].

39. The Bonds shall be subject to mandatory redemption in whole or in part upon the occurrence of a Mandatory Redemption Event, but only if the Bondowner Representative shall have received immediately available funds sufficient for such purpose.

The Bondowner Representative is hereby authorized and directed, and hereby agrees, to fix the date for any such redemption, and, if Revenues are available, to redeem the Bonds so called on the date so fixed by the Bondowner Representative. If there is more than one Bondowner as of any date of redemption, Bonds shall be redeemed pro rata among the Bondowners. So long as there is only one Bondowner, the Bondowner need not surrender its Bond in connection with any redemption of Bonds.

40. **No Notice of Redemption.** No notice of redemption of the Bonds need be given.

41. **Effect of Redemption.** If moneys for payment of the redemption price of Bonds are being held by the Bondowner Representative, the Bonds so called for redemption shall, on the redemption date selected by the Bondowner Representative, become due and payable at the redemption price specified herein, interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

## 42.

## REVENUES

43. **Pledge of Revenues.** All of the Revenues are hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. The Authority also hereby transfers in trust, grants a security interest in and assigns to the Bondowner Representative, for the benefit of the holders from time to time of the Bonds all of its right, title and interest in (a) the Revenues, (b) all amounts on deposit in any fund or account created hereunder or under the Loan Agreement and held by the Bondowner Representative, (c) the Deed of Trust, (d) the Loan Agreement (except for the rights of the Authority or the Bondowner Representative under Sections 2.3, 3.3(i), 3.3(j), 3.4, 6.1, 6.2, 6.21, 17.5 or 18.1 thereof and amounts payable to the United States of America pursuant to Section 6.34 thereof), (e) the Note, and (f) any other amounts or agreements referenced in the Loan Agreement as security for the repayment of the Bonds.

All Revenues and all amounts on deposit in the funds and accounts created hereunder or under the Loan Agreement and held by the Bondowner Representative shall be held in trust for the benefit of the holders from time to time of the Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter set forth in this Article V.



None of the Authority, the board members, officers, employees, attorneys or agents of the Authority, or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Authority, payable only as provided in the Indenture, and are not a debt, nor a pledge of the faith and credit, of the County of Los Angeles, the State of California or any of its political subdivisions or any other of its public entities, and neither are any of the foregoing public entities liable on the Bonds, nor are the Bonds payable out of any funds or properties other than those of the Authority expressly pledged for the payment thereof under the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation. The issuance of the Bonds shall not directly or indirectly or contingently obligate the County of Los Angeles or the State of California or any political subdivision or public entity thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

The Authority shall not be liable for payment of the principal of or interest on the Bonds or any other costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Bonds or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

44. **Bond Fund.** There is hereby created and established with the Bondowner Representative a separate fund which shall be designated the "Bond Fund," which fund shall be applied only as provided in this Section.

The Bondowner Representative shall credit to the Bond Fund from time to time, upon receipt thereof, all Revenues, including (i) income received from the investment of moneys on deposit in the Bond Fund, and (ii) any other Revenues, including insurance proceeds, condemnation awards and other Loan payments or prepayments received from or for the account of the Borrower.

Moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bonds as the same shall become due, whether at maturity or upon redemption or acceleration or otherwise.

On each date on which principal of or interest on the Bonds is due and payable, the Bondowner Representative shall pay such amount from the Bond Fund.

Notwithstanding any other provision of this Indenture, to the extent that there is only one Bondowner, any payment on the Note from the Borrower to the Bondowner Representative shall be deemed to be a payment by the Authority on the Bonds, and there shall be no requirement that amounts so paid be deposited to the Bond Fund.

45. **Investment of Moneys.** Except as otherwise provided in this Section, any moneys in any of the funds and accounts to be established by the Bondowner Representative pursuant to this Indenture shall be invested by the Bondowner Representative in Investment Securities selected and directed in writing by the Borrower, with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than one day prior to the date on which it is estimated that such moneys will be required by the Bondowner Representative. In the absence of such directions, the Bondowner Representative shall invest such monies in Investment Securities described in clause (b) of the definition thereof. The Bondowner Representative shall have no liability or responsibility for any loss resulting from any investment made in accordance with this Section 5.3.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code). The Bondowner Representative shall have no duty to determine Fair Market Value or present value hereunder.

For the purpose of determining the amount in any fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost or par (which shall be measured exclusive of accrued interest) after the first payment of interest following purchase.

Any interest, profit or loss on such investment of moneys in any fund or account shall be credited or charged to the respective funds or accounts from which such investments are made. The Bondowner Representative may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Bondowner Representative shall not be liable or responsible for any loss resulting from such sale or redemption.

The Bondowner Representative may make any and all investments permitted under this Section 5.3 through its own trust or banking department or any affiliate and may pay said department reasonable, customary fees for placing such investments. The Bondowner Representative and its affiliates may act as principal, agent, sponsor, advisor or depository with respect to Investment Securities under this Section 5.3.

The Authority (and the Borrower by its execution of the Loan Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Borrower will not receive such confirmations to the extent permitted by law. The Bondowner Representative will furnish the Borrower and the Authority (to the extent requested by it) periodic cash transaction statements which include detail for all investment transactions, if any, made by the Bondowner Representative hereunder.

**46. Assignment to Bondowner Representative; Enforcement of Obligations.** The Authority hereby transfers, assigns and sets over to the Bondowner Representative, for the benefit of the Bondholders, and the Bondowner Representative hereby accepts, all of the Revenues, all moneys at any time held in the funds and accounts established hereunder and any and all rights and privileges the Authority has under the Agreement (except for the Authority's and Bondowner Representative's rights under Sections 2.3, 3.3(i), 3.3(j), 3.4, 6.1, 6.2, 6.21, 17.5 or 18.1 of the Agreement and except for amounts payable to the United States of America pursuant to Section 6.34 of the Agreement); and any Revenues which are collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Bondowner Representative, and shall forthwith be paid by the Authority to the Bondowner Representative. Upon the occurrence of a Mandatory Redemption Event actually known to a Responsible Officer of the Bondowner Representative, the Bondowner Representative also shall be entitled to take all steps, actions and proceedings reasonably necessary in its judgment: (a) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in

and under, the Loan Agreement, the Regulatory Agreement and the Deed of Trust, and (b) to request compliance with all covenants, agreements and conditions on the part of the Authority contained in this Indenture with respect to the Revenues.

47.

**COVENANTS OF THE AUTHORITY**

48. **Payment of Principal and Interest.** The Authority shall punctually pay, but only out of Revenues as herein provided, the principal and the interest (and premium, if any) to become due in respect of every Bond issued hereunder at the times and places and in the manner provided herein and in the Bonds, according to the true intent and meaning thereof. When and as paid in full, all Bonds shall be delivered to the Bondowner Representative and shall forthwith be destroyed.
49. **Paying Agents.** The Authority, with the written approval of the Bondowner Representative, may appoint and at all times have one or more paying agents in such place or places as the Authority may designate, for the payment of the principal of, and the interest (and premium, if any) on, the Bonds. It shall be the duty of the Bondowner Representative to make such arrangements with any such paying agent as may be necessary and feasible to assure, to the extent of the moneys held by the Bondowner Representative for such payment, the availability of funds for the prompt payment of the principal of and interest and premium, if any, on the Bonds presented at either place of payment. The paying agent initially appointed hereunder is the Bondowner Representative.
50. **Preservation of Revenues; Amendment of Documents.** The Authority shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues and the assignment to the Bondowner Representative of rights of the Authority under the Agreement and the Deed of Trust and other collateral documents, or the Bondowner Representative's enforcement of any rights hereunder or thereunder, shall not take any action to impair the validity or enforceability of the Agreement or the Deed of Trust and other collateral documents, and shall not waive any of its rights under or any other provision of or permit any amendment of the Agreement or the Deed of Trust and other collateral documents, without the prior written consent of the Bondowner Representative.
51. **Compliance with Indenture.** The Authority shall not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues other than in accordance with the provisions of this Indenture; it being understood that the Authority reserves the right to issue obligations payable from and secured by sources other than the Revenues and the assets assigned herein. The Authority shall not suffer or permit any default to occur under this Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements hereof. So long as any Bonds are outstanding, the Authority shall not create or

suffer to be created any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues, other than the lien of this Indenture.

52. **Further Assurances.** Whenever and so often as requested so to do by the Bondowner Representative, the Authority shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowner Representative and the Bondholders all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.
53. **Tax-Exempt Status of the Bonds.** It is the intention of the parties thereto that interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes and to that end the Issuer agrees to comply with all the requirements set forth in the Tax Certificate.
54. **Immunities and Limitations of Responsibility of Authority.** The Authority shall be entitled to the advice of counsel (who, except as otherwise provided, may be counsel for any Bondholder), and the Authority shall be wholly protected as to any action taken or omitted in good faith in reliance on such advice. The Authority may rely conclusively on any communication or other document furnished to it hereunder and reasonably believed by it to be genuine. The Authority shall not be liable for any action (a) taken by it in good faith and reasonably believed by it to be within its discretion or powers hereunder, or (b) in good faith omitted to be taken by it because such action was reasonably believed to be beyond its discretion or powers hereunder, or (c) taken by it pursuant to any direction or instruction by which it is governed hereunder, or (d) omitted to be taken by it by reason of the lack of any direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The Authority shall in no event be liable for the application or misapplication of funds or for other acts or defaults by any person, except its own officers and employees. When any payment or consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence (if any) as it may require in support thereof. The Authority shall not be required to take any remedial action (other than the giving of notice) unless indemnity in a form acceptable to the Authority is furnished for any expense or liability to be incurred in connection with such remedial action, other than liability for failure to meet the standards set forth in this Section. The Authority shall be entitled to reimbursement from the Borrower for its expenses reasonably incurred or advances reasonably made, with interest at the rate of interest on the Bonds, in the exercise of its rights or the performance of its obligations hereunder, to the extent that it acts without previously obtaining indemnity. No permissive right or power to act which the Authority may have shall be construed as a requirement to act; and no delay in the exercise of a right or power shall affect its subsequent exercise of the right or power.

The Borrower has indemnified the Authority against certain acts and events as set forth in Section 6.21 of the Loan Agreement and Section 9 of the Regulatory Agreement. Such indemnities shall survive payment of the Bonds and discharge of the Indenture.

**55.**

**MANDATORY REDEMPTION EVENTS AND EVENTS OF DEFAULT**

56. **Mandatory Redemption Event.** Each of the following events shall constitute a mandatory redemption event (“Mandatory Redemption Event”) under this Indenture.
57. failure to pay interest on the Bonds when due; and
58. failure to pay the principal of the Bonds on the date fixed for payment thereof, whether upon the maturity thereof or pursuant to Section 4.01 hereof.
59. **Remedies.** If any Mandatory Redemption Event shall have occurred and be continuing without redemption as provided in Section 4.1(e) of this Indenture, the Bondowner Representative shall promptly give notice to the Authority and shall have all rights, powers, and remedies with respect to the Revenues and other amounts pledged to secure payment of the Bonds pursuant to Section 5.1 (the “Collateral”) as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Bondowner Representative may proceed at law or in equity or otherwise, to the extent permitted by applicable law:
60. to take possession of the Collateral or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Collateral;
61. to become mortgagee of record for the Loan and to service and administer the same with the same power, authority and standard of care as the Authority;
62. to take all actions necessary to enforce the Loan Agreement, and to take alternative courses of action, with the same power, authority and standard of care as had been provided for the Authority;
63. to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Bonds, this Indenture or the Loan Agreement, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Bondowner Representative may elect.
64. **In Lieu of Acceleration.** Notwithstanding any provision of this Indenture, no Mandatory Redemption Event shall constitute an Event of Default hereunder. If

there is an Event of Default under and as defined in the Loan Agreement of which the Bondowner Representative has actual knowledge or otherwise a failure of the Borrower to make full payments on the Loan sufficient to provide funds to make all payments due on the Bonds and all other amounts payable hereunder, which would result in a Mandatory Redemption Event, the Bonds shall be subject to mandatory redemption pursuant to Section 4.1(e) hereof. Upon any such mandatory redemption of the Bonds, the Outstanding Bonds shall be redeemed as of the date of mandatory redemption as set forth in this Section. Upon such redemption date, the Bonds shall cease to bear interest, the Authority shall transfer and assign all funds and assets pledged to secure the Bonds (being any Collateral then held by the Bondowner Representative, the Loan Agreement and the Deed of Trust) to the Bondowner Representative as payment of the redemption price thereof, the Holders shall have no further rights hereunder, and such redemption shall constitute payment in full of the Bonds, notwithstanding that amounts so distributed may be insufficient to pay the outstanding principal amount of the Bonds, any premium, and accrued interest thereon.

By its acceptance of the Bonds, the Holder hereby consents to the redemption in lieu of acceleration as described above and upon such redemption the Holders shall no longer look to the Authority to receive payment of the principal and interest and all other sums, if any, which are due under the Bonds, but shall look solely to the funds and other assets transferred to the Bondowner Representative hereunder.

**65. Events of Default.** An event of default (an “Event of Default”) shall occur hereunder if the Authority shall fail to perform or observe any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and the continuation of such failure for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Borrower by the Bondowner Representative.

**66. Effect of Delay or Omission to Pursue Remedy.** No delay or omission of the Bondowner Representative or of any holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by this Article VII to the Bondowner Representative or to the holders of Bonds may be exercised from time to time and as often as shall be deemed by the Bondowner Representative expedient. In case the Bondowner Representative shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Bondowner Representative, then and in every such case the Authority, the Bondowner Representative and the holders of the Bonds, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the trust estate; and all remedies, rights and powers of the Authority, the Bondowner Representative and the holders of the Bonds shall continue as though no such proceedings had been taken.

67. **Remedies Cumulative.** No remedy herein conferred upon or reserved to the Bondowner Representative or to any holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.
68. **Covenant to Pay Bonds in Event of Default.** The Authority covenants that, upon the happening of any Event of Default, the Authority will pay to the Bondowner Representative upon demand, but only out of Revenues (including those described in the last paragraph of Section 5.2 hereof), for the benefit of the holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal, or both, as the case may be, and all other sums which may be due hereunder or secured hereby, including reasonable compensation to the Bondowner Representative, its agents and counsel, and any expenses or liabilities incurred by the Bondowner Representative hereunder. In case the Authority shall fail to pay the same forthwith upon such demand, the Bondowner Representative, in its own name and as trustee of an express trust, and upon being indemnified to its satisfaction, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Revenues and any other assets pledged, transferred or assigned to the Bondowner Representative under Section 5.1 as herein provided and not otherwise. The Bondowner Representative shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of this Indenture, and the right of the Bondowner Representative to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.
69. **Bondowner Representative Appointed Agent for Bondholders.** The Bondowner Representative is hereby appointed the agent of the holders of all Bonds outstanding hereunder for the purpose of filing any claims relating to the Bonds.
70. **Power of Bondowner Representative to Control Proceedings.** In the event that the Bondowner Representative, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the written request of the holders of a majority in principal amount of the Bonds then outstanding, it shall have full power, in the exercise of its discretion for the best interests of the holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Bondowner Representative shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the holders of at least a majority

in principal amount of the Bonds outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

71. **Limitation on Bondholders' Right to Sue.** No holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such holder shall have previously given to the Bondowner Representative written notice of the occurrence of an Event of Default hereunder; (b) the holders of at least a majority in aggregate principal amount of all the Bonds then outstanding shall have made written request upon the Bondowner Representative to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said holders shall have tendered to the Bondowner Representative indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Bondowner Representative shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bondowner Representative.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any holder of Bonds of any remedy hereunder; it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by its or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all holders of the outstanding Bonds.

The right of any holder of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond out of Revenues, as herein and therein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

72. **Limitation of Liability to Revenues.** Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from the proceeds of taxes collected by the Authority, by the County of Los Angeles, by the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Revenues for any of the purposes mentioned in this Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. The Bonds are limited obligations of the Authority, and are payable solely from and secured by the Revenues only.



### THE BONDOWNER REPRESENTATIVE AND AGENTS

74. **Duties, Immunities and Liabilities of Bondowner Representative.** The Bondowner Representative shall perform such duties and only such duties as are specifically set forth in this Indenture and no additional covenants or duties of the Bondowner Representative shall be implied in this Indenture. All of the provisions of the next two paragraphs of this Section 8.1 shall be effective if and only during such time as the Bondowner Representative is not the sole owner of the Bonds.

The Bondowner Representative shall, during the existence of any Mandatory Redemption Event or Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as reasonable persons familiar with such matters would exercise or use under similar circumstances in the conduct of their own affairs.

No provision of this Indenture shall be construed to relieve the Bondowner Representative from liability for its own negligent action or its own negligent failure to act, except that:

75. the duties and obligations of the Bondowner Representative shall be determined solely by the express provisions of this Indenture, the Bondowner Representative shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Bondowner Representative; and in the absence of bad faith on the part of the Bondowner Representative, the Bondowner Representative may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Bondowner Representative conforming to the requirements of this Indenture;
76. At all times, regardless of whether or not any Mandatory Redemption Event or Event of Default shall exist, (1) the Bondowner Representative shall not be liable for any error of judgment made in good faith by a Responsible Officer or officers or by any agent or attorney of the Bondowner Representative appointed with due care unless (except as otherwise provided in Section 8.2(f)) the Bondowner Representative was negligent in ascertaining the pertinent facts; and (2) the Bondowner Representative shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Authority, accompanied by an opinion of Bond Counsel as provided herein or in accordance with the directions of the holders of not less than a majority, or such other percentage as may be required hereunder, in aggregate principal amount of the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bondowner Representative, or exercising any trust or power conferred upon the Bondowner Representative under this Indenture;

77. The Bondowner Representative shall not be required to take notice or be deemed to have notice of (i) any default hereunder or under the Loan Agreement, except defaults under Section 7.1(a) or (b) hereof, unless a Responsible Officer of the Bondowner Representative shall be specifically notified in writing of such default by the Authority or the owners of at least a majority in aggregate principal amount of all Bonds then outstanding, or (ii) any default under the Regulatory Agreement unless a Responsible Officer of the Bondowner Representative shall be specifically notified in writing of such default by the Authority;
78. Before taking any action under Article VII hereof or this Section at the request or direction of the Bondholders, the Bondowner Representative may require that a satisfactory indemnity bond be furnished by the Bondholders, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken;
79. Upon any application or request by the Authority to the Bondowner Representative to take any action under any provision of this Indenture, the Authority shall furnish to the Bondowner Representative a Certificate of the Authority stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and an Opinion of Counsel stating that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished;
80. The Bondowner Representative may execute any of the powers hereunder or perform any duties hereunder either directly or through agents or attorneys and the Bondowner Representative shall not be responsible for any negligence or misconduct on the part of any agent or attorney appointed with due care by it hereunder (but this provision shall not prohibit any action against any such agent or attorney for their negligent acts);
81. Neither the Authority nor the Borrower shall be deemed to be agents of the Bondowner Representative for any purpose, and the Bondowner Representative shall not be liable for any noncompliance of any of them in connection with their respective duties hereunder or in connection with the transactions contemplated hereby;
82. The Bondowner Representative shall be entitled to rely upon telephonic notice for all purposes whatsoever so long as the Bondowner Representative reasonably believes such telephonic notice has been given by a person authorized to give such notice;
83. The immunities extended to the Bondowner Representative also extend to its directors, officers and employees;

84. Under no circumstances shall the Bondowner Representative be liable in its individual capacity for the obligations evidenced by the Bonds, it being the sole obligation of the Bondowner Representative to administer, for the benefit of the Bondholders, the various funds and accounts established hereunder;
85. No permissive power, right or remedy conferred upon the Bondowner Representative hereunder shall be construed to impose a duty to exercise such power, right or remedy;
86. The Bondowner Representative shall not be liable for any action taken or not taken by it in accordance with the direction of a majority in aggregate principal amount of Bonds Outstanding related to the exercise of any right, power or remedy available to the Bondowner Representative; and
87. The Bondowner Representative shall have no duty to review any financial statements or budgets filed with it by the Borrower under the Loan Agreement.
88. The Bondowner Representative acknowledges that Borrower has an obligation to pay certain fees to the Authority pursuant to the Regulatory Agreement. The Bondowner Representative further acknowledges that in order to preserve the tax-exempt status of the Bonds, the Borrower must comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable.

None of the provisions contained in this Indenture shall require the Bondowner Representative to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. Whether or not therein expressly so provided, every provision of this Indenture, the Loan Agreement, the Regulatory Agreement or any other document relating to the conduct, powers or duties of, or affecting the liability of, or affording protection to, the Bondowner Representative shall be subject to the provisions of this Article VIII.

89. **Right of Bondowner Representative to Rely upon Documents, Etc.** Except as otherwise provided in Section 8.1:
90. The Bondowner Representative may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond or other paper or document reasonably believed by it to be genuine and to have been signed and presented by the proper party or parties;
91. Any consent, demand, direction, election, notice, order or request of the Authority mentioned herein shall be sufficiently evidenced by a Written Consent, Written Demand, Written Direction, Written Election, Written Notice, Written Order or Written Request of the Authority, and any resolution of the Authority may be evidenced to the Bondowner Representative by a Certified Resolution;
92. The Bondowner Representative may consult with counsel (who may be counsel for the Authority, counsel for the Bondowner Representative or Bond Counsel)

and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel;

93. Whenever in the administration of this Indenture the Bondowner Representative shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Bondowner Representative, be deemed to be conclusively proved and established by a Certificate of the Authority; and such Certificate of the Authority shall, in the absence of negligence or bad faith on the part of the Bondowner Representative, be full warrant to the Bondowner Representative for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof; and
94. The Bondowner Representative shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Bondowner Representative, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.
95. **Bondowner Representative Not Responsible for Recitals.** The recitals contained herein and in the Bonds shall be taken as the statements of the Authority, and the Bondowner Representative assumes no responsibility for the correctness of the same or for the correctness of the recitals in the Loan Agreement or the Regulatory Agreement. The Bondowner Representative shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bonds. The Bondowner Representative makes no representations as to the value or condition of any assets pledged or assigned as security for the Bonds, or as to the right, title or interest of the Authority therein, or as to the security provided thereby or by this Indenture, the Loan Agreement or the Deed of Trust, or as to the compliance of the Development with the Act, or as to the tax-exempt status of the Bonds, or as to the technical or financial feasibility of the Development, or as to the validity or sufficiency of this Indenture as an instrument of the Authority or of the Bonds as obligations of the Authority. The Bondowner Representative shall not be accountable for the use or application by the Authority of any of the Bonds authenticated or delivered hereunder or of the use or application of the proceeds of such Bonds by the Authority or the Borrower or their agents.
96. **Intervention by Bondowner Representative.** So long as and only during any period in which the Bondowner Representative is not the sole owner of the Bonds, the Bondowner Representative may intervene on behalf of the owners of the Bond in any judicial proceeding to which the Authority is a party and which, in the opinion of the Bondowner Representative and its counsel, has a substantial

bearing on the interests of owners of the Bonds and, subject to the provisions of Section 8.1(d), shall do so if requested in writing by the owners of a majority in aggregate principal amount of all Bonds then outstanding.

97. **Moneys Received by Bondowner Representative to be Held in Trust.** So long as and only during any period in which the Bondowner Representative is not the sole owner of the Bonds, all moneys received by the Bondowner Representative shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or as otherwise provided herein. The Bondowner Representative shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Authority to pay thereon.

98. **Compensation and Indemnification of Bondowner Representative and Agents.**

99. The Bondowner Representative shall be entitled to receive compensation from the Borrower for its services as Bondowner Representative as provided in Section 3.4 of the Loan Agreement, and is being indemnified by the Borrower as provided in Section 6.21 of the Loan Agreement. The Bondowner Representative acknowledges and agrees that, unless otherwise agreed to in writing by the Authority, the Authority shall not be responsible for the fees and expenses of the Bondowner Representative, and is providing no indemnification to the Bondowner Representative.

100. If any property, other than cash, shall at any time be held by the Bondowner Representative subject to this Indenture, or any supplemental indenture, as security for the Bonds, the Bondowner Representative, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bonds, shall be entitled but not obligated to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The rights of the Bondowner Representative to compensation for services and to payment or reimbursement for expenses, disbursements, liabilities and advances shall have and is hereby granted a lien and a security interest prior to the Bonds in respect of all property and funds held or collected by the Bondowner Representative as such, except funds held in trust by the Bondowner Representative for the benefit of the holders of particular Bonds, which amounts shall be held solely for the benefit of the Bondholders and used only for the payment of principal of and premium, if any, and interest on the Bonds. The Bondowner Representative's rights to immunities, indemnities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment of the Bonds.

101. **Qualifications of Bondowner Representative.** There shall at all times be a Bondowner Representative hereunder which, if not a Bondholder, shall be a banking corporation, a banking association or a trust company organized and

doing business under the laws of the United States or of a state thereof. Any change in the Bondowner Representative shall be only at the written request of a majority of the principal amount of all of the Bonds outstanding, and any successor Bondowner Representative shall be the owner of a majority in principal amount of the Bonds then Outstanding or an affiliate thereof, or a person selected by the owner(s) of a majority in principal amount of the Bonds then Outstanding who is reasonably acceptable to the Authority. Any successor Bondowner Representative shall acknowledge its acceptance of its obligations under this Indenture by a written instrument delivered to the Authority, the Borrower and, if the successor is not the sole owner of all of the Bonds then Outstanding, the Bondowners.

102. **Merger or Consolidation of Bondowner Representative.** Any corporation or association into which the Bondowner Representative may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Bondowner Representative shall be a party, or any corporation or association succeeding to the corporate trust business of the Bondowner Representative, shall be the successor of the Bondowner Representative hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor Bondowner Representative shall be eligible under the provisions of the first sentence of Section 8.7.

103. **Dealing in Bonds.** The Bondowner Representative, in its individual capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Bondowner Representative in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority, and may act as depository, Bondowner Representative or agent for any committee or body of Bondholders secured hereby or other obligations of the Authority as freely as if it did not act in any capacity hereunder.

#### 104.

### MODIFICATION OF INDENTURE

105. **Modification of Indenture.** The Authority and the Bondowner Representative may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture. Upon receipt by the Bondowner Representative of a Certified Resolution authorizing the execution of any such supplemental indenture, the Bondowner Representative may, if it so elects, join with the Authority in the execution of such supplemental indenture, unless such supplemental indenture affects the rights or obligations of the Borrower hereunder

or under the Loan Agreement, in which case the Bondowner Representative may enter into such supplemental indenture only if the Bondowner Representative has received the Borrower's written consent thereto.

Promptly after the execution by the Authority and the Bondowner Representative of any supplemental indenture pursuant to the provisions of this Section, if the Bondowner Representative is not the sole owner of the Bonds then Outstanding, the Bondowner Representative shall give Bondholders, by first class mail, a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Bondowner Representative to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

106. **Effect of Supplemental Indenture.** Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Bondowner Representative and all holders of outstanding Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

107. **Opinion of Counsel as to Supplemental Indenture.** Subject to the provisions of Section 8.1, the Bondowner Representative shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article IX is authorized and permitted by this Indenture.

108. **Notation of Modification on Bonds; Preparation of New Bonds.** Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation, in form approved by the Bondowner Representative and the Authority as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Bondowner Representative and the Authority, to any modification of this Indenture contained in any such supplemental indenture, may be prepared and authenticated by the Bondowner Representative and delivered without cost to the holders of the Bonds then outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

109.

## DEFEASANCE

110. **Discharge of Indenture.** If the entire indebtedness on all Bonds outstanding shall be paid and discharged in any one or more of the following ways:

111. by the payment of the principal of (including redemption premium, if any) and interest on all Bonds outstanding; or

112. by the delivery to the Bondowner Representative, for cancellation by it, of all Bonds outstanding;

and if all other sums payable hereunder by the Authority shall be paid and discharged, then and in that case this Indenture shall cease, terminate and become null and void, and the Bondowner Representative shall forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture. The fees, expenses and charges of the Bondowner Representative (including reasonable counsel fees) must be paid in order to effect such discharge. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Bondowner Representative to charge and be reimbursed by the Borrower for any expenditures which it may thereafter incur in connection herewith.

The Authority or the Borrower may at any time surrender to the Bondowner Representative for cancellation by it any Bonds previously authenticated and delivered which the Authority or the Borrower lawfully may have acquired in any manner whatsoever, and such Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

113. **Payment of Bonds after Discharge of Indenture.** Notwithstanding any provisions of this Indenture, any moneys deposited with the Bondowner Representative or any paying agent in trust for the payment of the principal of, or interest or premium on, any Bonds remaining unclaimed for two (2) years after the principal of all the outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be paid to the Authority, and the holders of such Bonds shall thereafter be entitled to look only to the Authority for payment thereof, and only to the extent of the amount so paid to the Authority, and all liability of the Bondowner Representative or any paying agent with respect to such moneys shall thereupon cease. In the event of the payment of any such moneys to the Authority as aforesaid, the holders of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Authority for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so paid to the Authority (without interest thereon).

#### 114.

### MISCELLANEOUS

115. **Successors of Authority.** All the covenants, stipulations, promises and agreements contained in this Indenture, by or on behalf of the Authority, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Authority shall hereafter be transferred by any law of the State of California, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Authority, then the body or official who shall succeed to such powers or duties



shall act and be obligated in the place and stead of the Authority as in this Indenture provided.

116. **Limitation of Rights to Parties and Bondholders.** Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Bondowner Representative, the Borrower and the holders of the Bonds issued hereunder any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Bondowner Representative, the Borrower and the holders of the Bonds issued hereunder.
117. **Waiver of Notice.** Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.
118. **Destruction of Bonds.** Whenever in this Indenture provision is made for the cancellation by the Bondowner Representative and the delivery to the Authority of any Bonds, the Bondowner Representative may, in lieu of such cancellation and delivery, destroy such Bonds and deliver a certificate of such destruction to the Authority.
119. **Separability of Invalid Provisions.** In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.
120. **Notices.** It shall be sufficient service of any notice, request, demand or other paper on the Authority, the Bondowner Representative, the Rating Agency or the Borrower if the same shall, except as otherwise provided herein, be duly mailed by first class mail, postage prepaid, or given by telephone or telecopier and confirmed by such mail, and to the other parties as follows:

The Authority:

The Housing Authority of the County of Los Angeles  
2 Coral Circle  
Monterey Park, CA 91755  
Attention: Manager, Housing Development and  
Preservation  
Telephone: (323) 890-7269  
Facsimile: (323) 890-9715

The Bondowner Representative: Wells Fargo Bank, National Association  
707 Wilshire Boulevard, 18th Floor  
Los Angeles, CA 90017  
Attention: Jacqueline Waggoner Johnson  
Telephone: (213) 614-5802  
Facsimile: (213) 614-4010

with a copy to: Wells Fargo Bank, National Association

\_\_\_\_\_  
\_\_\_\_\_  
Attention: Loan Administration Manager  
Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

The Borrower:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

The Authority, the Bondowner Representative and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

121. **Authorized Representatives.** Whenever under the provisions of this Indenture the approval of the Authority or the Borrower is required for any action, and whenever the Authority or the Borrower is required to deliver any notice or other writing, such approval or such notice or other writing shall be given, respectively, on behalf of the Authority by the Authorized Authority Representative or on behalf of the Borrower by the Authorized Borrower Representative, and the Authority, the Bondowner Representative and the Borrower shall be authorized to act on any such approval or notice or other writing and neither party hereto nor the Borrower shall have any complaint against the others as a result of any such action taken.

122. **Evidence of Rights of Bondholders.**

123. Any request, consent or other instrument required by this Indenture to be signed and executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondholders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the ownership of any Bonds, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Bondowner Representative and of the Authority if made in the manner provided in this Section.

124. The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.
125. The ownership of Bonds shall be proved by the Bond register maintained pursuant to Section 2.06 hereof. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Bondowner Representative may deem sufficient. The Bondowner Representative may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.
126. Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bondowner Representative or the Authority in pursuance of such request, consent or vote.
127. In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Authority or by any other direct or indirect obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other direct or indirect obligor on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that, for the purpose of determining whether the Bondowner Representative shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Bondowner Representative knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this subsection (e) if the pledgee shall establish to the satisfaction of the Bondowner Representative and the Authority the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other direct or indirect obligor on the Bonds. In case of a dispute as to such right, any decision by the Bondowner Representative taken upon the advice of counsel shall be full protection to the Bondowner Representative. Solely for purposes of the limitation expressed in this paragraph (e), the Borrower shall be deemed to be an indirect obligor on the Bonds.
128. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Bondowner Representative may call and hold a meeting of the Bondholders upon such notice and in accordance with such rules and regulations

as the Bondowner Representative considers fair and reasonable for the purpose of obtaining any such action.

129. **No Personal Liability.** No officer, agent, member or employee of the Authority, and no officer, official, agent or employee of the County of Los Angeles or the State of California or any department, board or agency of any of the foregoing, shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such person from the performance of any official duty provided by law or by this Indenture.
130. **Holidays.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided therefor in this Indenture and, in the case of any payment, no interest shall accrue for the period from and after such date.
131. **Execution in Several Counterparts.** This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same instrument.
132. **Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in such State.
133. **Successors.** Whenever in this Indenture either the Authority or the Bondowner Representative is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Bondowner Representative shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

IN WITNESS WHEREOF, THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES has caused this Indenture to be signed in its name and WELLS FARGO BANK, NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its name, all as of the day and year first above written.

THE HOUSING AUTHORITY OF THE  
COUNTY OF LOS ANGELES

By: \_\_\_\_\_

Approved as to Form:  
LLOYD W. PELLMAN  
County Counsel

By: \_\_\_\_\_  
Deputy

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Bondowner Representative

By \_\_\_\_\_  
Authorized Officer

## **EXHIBIT A**

### **FORM OF BOND**

THIS BOND MAY BE OWNED ONLY BY A SOPHISTICATED INVESTOR (DEFINED AS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED) AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS BOND, (A) REPRESENTS THAT IT IS A SOPHISTICATED INVESTOR, AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS BOND IN WHOLE TO OTHER SOPHISTICATED INVESTORS.

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES  
MULTIFAMILY HOUSING REVENUE BOND  
(HAVENHURST APARTMENTS),  
2003 SERIES A

REGISTERED OWNER:

FACE AMOUNT (MAXIMUM PRINCIPAL AMOUNT): TWO MILLION NINE HUNDRED THOUSAND DOLLARS

The Housing Authority of the County of Los Angeles, a public body corporate and politic of the State of California (herein called the "Authority"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the Registered Owner identified above or registered assigns, on \_\_\_\_\_ 1, \_\_\_\_ (subject to prior redemption as provided herein) the unpaid principal amount hereon in lawful money of the United States, with interest thereon from the date of disbursement until paid at the rates described below. The actual unpaid principal hereof shall be equal to the funds disbursed by the Bondowner under the Indenture to fund the Loan, less any portion of the principal hereof redeemed pursuant to the Indenture. Capitalized terms used in this Bond and not defined herein shall have the meanings given such terms in the Indenture referenced below, or in the Note, dated as of June 1, 2003, made by Hayvenhurst Limited Partnership, a California limited partnership, to the order of the Authority.

The Bonds shall bear interest, payable on each Interest Payment Date, from the Closing Date at the Variable Rate as determined by the Bondowner Representative and communicated to the Authority and the Bondowners on the Closing Date and promptly following the first day of each calendar month. Notwithstanding the foregoing, the Bonds shall bear interest at the rate set forth in Section 6.29 of the Loan Agreement entitled "Loss of Tax Exclusion" under the conditions set forth in that Section. During the period that the Bonds bear interest at the Variable Rate, interest on the Bonds shall be computed on the basis of a 360 day year and actual days elapsed, and during any other period interest on the Bonds shall be computed on the basis of a 360 day year comprised of twelve 30 day months.

This Bond shall bear interest from the date to which interest has been paid on this Bond next preceding the date of authentication hereof, unless this Bond is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from the Closing Date.

In the event the Authority fails to make the timely payment of any monthly payment, the Authority shall pay interest on the then Outstanding Balance at a default rate (the "Default Rate") equal to the interest rate then in effect under this Bond plus five percent (5%).

This Bond is one of a duly authorized issue of bonds of the Authority designated as "The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (Havenhurst Apartments), 2003 Series A" (the "Bonds"), in the initial aggregate face amount (maximum principal amount) of \$2,900,000, authorized to be issued pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, and issued under and secured by an Indenture of Trust, dated as of June 1, 2003 (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, as the initial Bondowner Representative. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Bondowner Representative and of the rights and obligations of the Authority thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees. The proceeds of the Bonds will be used to make a loan to the Borrower pursuant to a Loan Agreement, dated as of June 1, 2003 (the "Loan Agreement") among the Authority, Wells Fargo Bank, National Association, as initial bondowner representative and the Borrower, to finance the rehabilitation of a residential rental project known as Havenhurst Apartments located in the City of West Hollywood, California.

NONE OF THE AUTHORITY, THE BOARD MEMBERS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS OF THE AUTHORITY, OR ANY PERSON EXECUTING THE BONDS IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE ONLY AS PROVIDED IN THE INDENTURE, AND ARE NOT A DEBT, NOR A PLEDGE OF THE FAITH AND CREDIT, OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER ARE THEY LIABLE ON THE BONDS, NOR ARE THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY EXPRESSLY PLEDGED FOR THE PAYMENT THEREOF UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND AGAINST ANY PAST, PRESENT OR FUTURE OFFICER, DIRECTOR, MEMBER, EMPLOYEE OR AGENT OF THE AUTHORITY, OR OF ANY SUCCESSOR TO THE AUTHORITY, AS SUCH, EITHER DIRECTLY OR THROUGH THE AUTHORITY OR ANY SUCCESSOR TO THE AUTHORITY, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF, AND CONSIDERATION FOR, THE EXECUTION AND ISSUANCE OF THIS BOND.

The Bonds are limited obligations of the Authority and are payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is defined in the Indenture), consisting primarily of amounts paid by the Borrower pursuant to the Loan Agreement.

The Bonds shall be subject to redemption prior to maturity, at a price and upon such terms as are provided in the Indenture. No notice of redemption of Bonds need be given to the registered owners of the Bonds, and the owner of this Bond, by acceptance hereof, expressly waives any requirement for any notice of redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the Principal Office of the Bondowner Representative, but only in the manner, subject to the limitations (including those contained in Section 2.05(b) of the Indenture) and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond will be issued to the transferee in exchange herefor. The Authority and the Bondowner Representative may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Authority and the Bondowner Representative shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Authority and the Bondowner Representative to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture.

The Authority hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California (including the Act) and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Bondowner Representative.

In the event of any conflict between the terms of this Bond and the terms of the Indenture, the terms of the Indenture shall control.

IN WITNESS WHEREOF, THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES has caused this Bond to be executed in its name by the manual or facsimile signature of the Chair of its Board of Commissioners and attested by the manual or facsimile signature of the Executive Officer-Clerk of its Board of Commissioners, all as of June \_\_, 2003.

THE HOUSING AUTHORITY OF THE  
COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Chair of the Board of Commissioners

Attest:



By \_\_\_\_\_  
Executive Officer-Clerk of the  
Board of Commissioners

**FORM OF CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture and has been authenticated and registered on this date:

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Bondowner Representative

By: \_\_\_\_\_  
Authorized Officer

## FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_, attorney, to transfer the same on the registration books of the Bondowner Representative, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

NOTICE: Signature(s) must be guaranteed by a  
eligible guarantor.

NOTICE: The signature on this assignment must  
correspond with the name(s) as written on  
the face of the within Bond in every particular  
without alteration or enlargement or any  
change whatsoever.

## DELIVERY PHRASES

### EXHIBIT B

#### FORM OF INVESTOR'S LETTER

The Housing Authority of the  
County of Los Angeles  
Monterey Park, California

Re: The Housing Authority of the County of Los Angeles  
Multifamily Housing Mortgage Revenue Bonds  
(Havenhurst Apartments), 2003 Series A

Ladies and Gentlemen:

**The undersigned (the "Investor") hereby acknowledges receipt of the above-referenced bonds (the "Bonds"). The undersigned acknowledges that the Bonds were issued for the purpose of making a loan to assist in financing a certain multifamily rental housing development located in the County of Los Angeles (the "Project"), as more particularly described in that certain Loan Agreement, dated as June 1, 2003 (the "Loan Agreement"), by and among The Housing Authority of the County of Los Angeles (the "Issuer"), Wells Fargo Bank, National Association, and Hayvenhurst Limited Partnership, a California limited partnership (the "Borrower"). The undersigned further acknowledges that the Bonds are secured by a certain Indenture of Trust dated as of June 1, 2003, (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association as initial Bondowner Representative, which creates a security interest in loan repayments made pursuant to the Loan Agreement for the benefit of the holders and owners of the Bonds, and the obligations of the Borrower under the Loan Agreement are secured by a Construction Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing with respect to the Project (the "Mortgage"), which creates a security interest in the Project, subject to permitted encumbrances, as provided therein. Terms not otherwise defined herein shall have the meanings assigned thereto in the Indenture.**

**In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:**

- 1. The Investor hereby certifies that it is a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933.**
- 2. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds or any beneficial interest therein, and the Investor intends to hold the Bonds for its own account, and does not intend at this time to dispose of all or any part of the Bonds or any beneficial interest therein. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible due to unmarketability of the Bonds. The Investor understands that the Bonds may not be transferred except in whole to a qualified institutional buyer.**
- 3. The Investor understands that the Bonds have not been registered under the Securities Act of 1933, as amended (the "Act"). The Investor acknowledges that the Issuer requires that, if the Bonds are disposed of by it, current information, including all current**

## DELIVERY PHRASES

financial statements with respect to the Project, which meets the disclosure requirements of any applicable state and federal securities laws then in effect, concerning the Bonds and the Project must be furnished to any prospective purchaser, and that any disclosure document must be delivered to the Issuer before the Bonds are offered for sale to any prospective purchaser, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

4. The Investor acknowledges that it is familiar with the conditions, financial and otherwise, of the Borrower and understands that the Borrower may have no significant assets other than the Project. To the extent deemed appropriate in making its investment decision, the Investor has discussed the Borrower's financial condition and the Borrower's current and proposed business activities with the Borrower. The Investor further acknowledges that it has such knowledge and experience in business matters that it is fully capable of evaluating the merits and risks of this investment and it is able to bear the economic risk of the investment. The Bonds are a security of the kind the Investor wishes to purchase and hold for investment, and the nature and amount of the Bonds are consistent with the Investor's investment program. The Investor has been furnished such information and such documents as the Investor deems necessary to make a decision to purchase the Bonds, including copies or forms of the Indenture, the Loan Agreement, the Mortgage and the Regulatory Agreement, dated as of June 1, 2003, by and among the Issuer, the Borrower and the Wells Fargo Bank, National Association as initial Bondowner Representative, and certain other documents relating to the Bonds and the Project, all of which documents the Investor has reviewed, including provisions relating to defaults, default remedies and mandatory redemptions. Specifically, but without limitation, the Investor has reviewed information about the Project, the Borrower and the property manager for the Project, and the Investor understands that the Bonds involve a high degree of risk. Specifically, and without in any manner limiting the foregoing, the Investor understands and acknowledges that, among other risks, the Bonds are payable solely from revenues pledged under the Indenture. The Investor has made such inquiry with respect to all of the foregoing as it believed to be desirable for its purposes.

5. The Investor has received from the Issuer no formal or informal offering or disclosure document relating to the Bonds and has concluded that the receipt of one prior to the purchase of the Bonds is not required. It is acknowledged that no written information has been provided by the Issuer, and that any written information furnished by any other party to the transaction does not purport to fully disclose all information pertinent to the Bonds.

6. Except as disclosed to the Issuer, the Investor is not now and has never been controlled by, or under common control with, the Borrower. Except as disclosed to the Issuer, the Borrower has never been and is not now controlled by the Investor. **THE PURCHASER HAS ENTERED INTO NO ARRANGEMENTS WITH THE BORROWER OR WITH ANY AFFILIATE OF THE BORROWER IN CONNECTION WITH THE BONDS, OTHER THAN AS DISCLOSED TO THE ISSUER.** The Investor hereby agrees to deliver to the Issuer a copy of any agreement between the Investor and the Borrower or any affiliate of the Borrower relating to the Bonds.

7. The Investor has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

## DELIVERY PHRASES

8. In entering into this transaction the Investor has not relied upon any representations or opinions made by the Issuer relating to the legal consequences or other aspects of the transactions, nor has it looked to, nor expected, the Issuer to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing, acquisition, construction operation or management thereof), or any other matter pertaining to the merits or risks of the transaction, or the adequacy of any collateral pledged to the Trustee to secure repayment of the Bonds.

9. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision or taxing district thereof, including, without limitation, the Issuer; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the Issuer, the State of California or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the Issuer with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

10. The Investor has been informed that the Bonds (i) have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

11. The Investor has obtained, from representatives of the Borrower and others, all information regarding the Bonds that it has deemed relevant. The Investor has asked of the Borrower and all other relevant parties all the questions to which the Investor desired answers, and has had those questions satisfactorily answered. Neither the Borrower nor the Issuer nor any other relevant party has refused to disclose any information that Investor deems necessary or appropriate to its decision to purchase the Bonds.

12. Although the Investor does not intend at this time to dispose of all or any part of the Bonds or any beneficial interest therein, the Investor acknowledges that it has the right to sell and transfer the Bonds, subject to the following requirements:

(a) The Investor will not sell or otherwise transfer any of the Bonds or any beneficial interest therein unless such transfer will be in compliance with the Indenture;

(b) Prior to any transfer of the Bonds, the Investor shall deliver to the Issuer and the Trustee a certificate identifying any and all documents that have been executed by the Investor and the Borrower or any affiliate of the Borrower with respect to the Bonds; and

## DELIVERY PHRASES

**(c) The Investor will not sell or otherwise transfer any of the Bonds or any beneficial interest therein without requiring the transferee to deliver to the Issuer and to the Trustee an investor's letter to the same effect as this Investor's Letter, including this paragraph 12, with no revisions except as may be approved in writing by the Issuer.**

[INVESTOR]

By\_\_\_\_\_

Name:

Title:

## **LOAN AGREEMENT**

**among**

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**

**as Authority**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

**as Bondowner Representative**

**and**

**HAVENHURST LIMITED PARTNERSHIP**

**as Borrower**

**Relating to**

**\$2,900,000**

**The Housing Authority of the County of Los Angeles**

**Multifamily Housing Revenue Bonds**

**(Havenhurst Apartments)**

**2003 Series A**

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**Dated as of June 1, 2003**

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The interests of the Authority in this Loan Agreement and the Note, excluding the Reserved Rights, have been assigned to Wells Fargo Bank, National Association, as Bondowner Representative, pursuant to an Indenture of Trust dated as of June 1, 2003 between the Authority and Bondowner Representative

## LOAN AGREEMENT

THIS LOAN AGREEMENT (this "**Loan Agreement**") is made and entered into as of June 1, 2003 by and among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES (the "**Authority**"), WELLS FARGO BANK, NATIONAL ASSOCIATION ("**Bondowner Representative**") and HAVENHURST LIMITED PARTNERSHIP, a California limited partnership ("**Borrower**").

### WITNESSETH:

WHEREAS, the Authority is a public body corporate and politic existing under the laws of the State of California (the "**State**"); and

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of Title 1 of the Health and Safety Code of the State and in accordance with Section 34312.3 of the Health and Safety Code of the State (collectively, the "**Act**"), the Authority is authorized and empowered to issue revenue bonds and apply the proceeds to make loans for the acquisition, construction, rehabilitation and development of qualifying housing developments (defined in the Act to include buildings used to provide residential housing for four or more families); and

WHEREAS, Borrower has requested the Authority to issue its Multifamily Housing Revenue Bonds (Havenhurst Apartments) 2003 Series A, in the original principal amount of \$2,900,000.00 (the "**Bonds**") for the purpose of making a loan (the "**Loan**") to finance, in part, the construction of the Havenhurst Apartments, a 24-unit apartment project located in the City of West Hollywood, California (the "**Project**"); and

WHEREAS, the Authority deems it desirable and in keeping with its purpose to issue the Bonds and lend the proceeds thereof to Borrower for the purposes described above under the terms and conditions contained in this Loan Agreement; and

WHEREAS, to evidence the Loan, Borrower is executing in favor of the Authority, that certain promissory note (the "**Note**") in the original principal amount of \$2,900,000.00 in the form attached hereto as Exhibit E, which Note provides for the repayment of the Loan in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds, and Borrower has executed or caused to be executed the Deed of Trust and the Security Agreement (as such terms are hereinafter defined) with respect to the Project to secure, among other things, the payments due under this Loan Agreement and the Note; and

WHEREAS, the execution and delivery of this Loan Agreement and the issuance of the Bonds have been duly and validly authorized by the Authority;

NOW, THEREFORE, the Authority, Borrower and Bondowner Representative, each in consideration of the representations, covenants and agreements of the other as set forth herein, mutually represent, covenant and agree as follows:

### ARTICLE I.

#### DEFINITIONS AND RULES OF INTERPRETATION

**1.1** Defined Terms. Capitalized terms used in this Loan Agreement and not otherwise defined shall have the meanings set forth for those terms in Section 1.1 of the Indenture.

"ADA" means the Americans with Disabilities Act, 42 U.S.C. §§12101, et seq. as hereinafter amended or modified.

"Additional Charges" shall have the meaning ascribed to such term in Section 3.4.

"AHP Lender" means Citibank, N.A.



"AHP Loan" means a loan by AHP Lender to Borrower, under the Federal Home Loan Bank AHP Program, in the original principal amount of \$\_\_\_\_\_.

"Application for Payment" shall have the meaning ascribed to such term in the Disbursement Plan attached hereto as Exhibit D.

"Architect" means \_\_\_\_\_, or another architect approved in writing by Bondowner Representative.

"Architectural Contract" means that certain Standard Form of Agreement Between Owner and Architect executed between Architect and Borrower dated \_\_\_\_\_, as that contract may be amended or replaced from time to time.

"Basic Payments" shall have the meaning ascribed to such term in Section 3.3(d).

"Border Zone Property" means any property designated as "border zone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation, adopted in accordance therewith.

"Borrower's Funds" means all funds of Borrower deposited with Bondowner Representative pursuant to the terms and conditions of this Loan Agreement.

"Borrower's Funds Account" means an account at Bondowner Representative, from which no withdrawals are permitted without Bondowner Representative's consent, in which all deposits of funds required of Borrower pursuant to this Loan Agreement will be held.

"Capital Contributions" means cash contributions to the capital of Borrower.

"City" means the City of West Hollywood, California.

"City Loan" means a loan to be made to Borrower by the City in the original principal amount of not less than \$1,818,666.

"Co-Construction Loans" means, collectively, the HOME Loan and the AHP Loan.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it maybe amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Completion Date" means \_\_\_\_\_.

"Condemnation" shall have the meaning ascribed to such term in Section 13.2.

"Construction Contract" means that certain Standard Form of Agreement Between Owner and Contractor executed between Contractor and Borrower dated \_\_\_\_\_, as that contract may be amended or replaced from time to time with the written consent of Bondowner Representative.

"Contractor" means \_\_\_\_\_, a \_\_\_\_\_, or another general contractor approved in writing by Bondowner Representative.

"County" means the County of Los Angeles, California.

"Deed of Trust" means the Construction Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing executed as of even date with this Loan Agreement by Borrower as Trustor, naming American Securities Company as trustee and Bondowner Representative as beneficiary.

"Default" shall have the meaning ascribed to such term in Section 17.1.

"Default Rate" means the lesser of (a) a variable rate of interest, computed on the basis of a 360-day year and actual days elapsed, at a rate of five percent (5.0%) above the Prime Rate, or (b) the highest rate of interest permitted from time to time by applicable State laws.

"Disbursement Plan" means the Disbursement Plan attached hereto as Exhibit D.

"Disbursement(s)" means any disbursement by Bondowner Representative of proceeds of the Loan or funds on deposit in the Borrower's Funds Account.

"Effective Date" means the date the Deed of Trust is recorded in the Office of the County Recorder of the County of Los Angeles.

"Financial Requirements Analysis" means the Financial Requirements Analysis attached hereto as Exhibit C, as the same may be amended from time to time.

"General Partner" means West Hollywood Community Housing Corporation, a California nonprofit public benefit corporation.

"Governmental Authority" means (i) any government, municipality or political subdivision thereof, (ii) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, (iii) any court, administrative tribunal or public utility, or (iv) any central bank or comparable authority.

"Gross Operating Income" shall have the meaning ascribed to such term in Section 11.4(a).

"Guarantor" means West Hollywood Community Housing Corporation, a California nonprofit public benefit corporation.

"Hazardous Materials" shall have the meaning ascribed to such term in Section 9.1(a).

"Hazardous Materials Claims" shall have the meaning ascribed to such term in Section 9.1(c).

"Hazardous Materials Laws" shall have the meaning ascribed to such term in Section 9.1(b).

"HOME Loan" means a loan from the County to Borrower in the original principal amount of \$ \_\_\_\_\_.

"Impositions" shall have the meaning ascribed to such term in Section 6.3.

"Improvements" means that certain 24-unit apartment building and all other related structures, landscaping, parking lots, and other improvements to be constructed upon the Property.

"Indemnified Parties" shall have the meaning ascribed to such term in Section 6.23.

"Insolvency Proceeding" means any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships.

"Investor Limited Partner" means The Housing Outreach Fund IX Limited Partnership, a District of Columbia limited partnership.

"Liabilities" shall have the meaning ascribed to such term in Section 6.23.

"Loan Documents" means the Regulatory Agreement, this Loan Agreement, the Note, the Deed of Trust, the Security Agreement and the other documents listed as Loan Documents in Exhibit B attached hereto.

"Management Agreement" means that certain management agreement dated as of \_\_\_\_\_, between Borrower and Project Manager.

"Maturity Date" means the maturity date of the Bonds, which is June 1, 2005.

"Note" means the Promissory Note made by Borrower to the order of the Authority, in the original principal amount of \$2,900,000.00, and dated as of even date with this Loan Agreement.

"Operating Statement" shall have the meaning ascribed to such term in Section 11.4.

"Ordinary Fees and Expenses" shall have the meaning ascribed to such term in Section 3.3(j).

"Other Related Documents" means those documents, as hereafter amended, supplemented, replaced or modified from time to time, properly executed and in recordable form, if necessary, listed in Exhibit B attached hereto as Other Related Documents.

"Partnership Agreement" means that certain \_\_\_\_\_ Agreement of Limited Partnership dated as of \_\_\_\_\_ by and between General Partner and Investor Limited Partner.

"Partnership Documents" means the Partnership Agreement and all other instruments and documents now or hereafter executed by partners in Borrower and related to Borrower, including without limitation any promissory notes, contribution agreements, funding agreements or similar documents relating to obligations to contribute or advance money to Borrower.

"Permitted Encumbrances" means the Regulatory Agreement and other title exceptions shown on Bondowner Representative's title policy.

"Permitted Operating Expenses" shall have the meaning ascribed to such term in Section 11.4(b).

"Plans and Specifications" means the plans and specifications for the Project approved in writing by Bondowner Representative, together with such amendments thereto as are made from time to time in accordance with Section 5.5.

"Prime Rate" means a base rate of interest which Wells Fargo Bank, National Association, establishes from time to time and which serves as the basis upon which the effective rates of interest are calculated for those loans making reference thereto. Any change in an effective rate due to a change in the Prime Rate shall become effective on the date such change is announced within Wells Fargo Bank, National Association. In the event that Wells Fargo Bank, National Association, no longer establishes such a rate, the Prime Rate shall be the prime commercial lending rate announced from time to time by a money center bank designated by Bondowner Representative by notice to Bondowner Representative.

"Project Agreements" means the Architectural Contract, Construction Contract, Plans and Specifications, and all other contracts and subcontracts entered into in connection with the design, development and construction of the Project.

"Project Costs" means any and all costs incurred by Borrower with respect to the acquisition and construction of the Project including, without limitation, costs for site preparation, the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project) and all other costs approved by Bond Counsel to the extent such costs are paid from the proceeds of the Bond Fund.

"Project Manager" means \_\_\_\_\_.

"Property" means the real property encumbered by the Deed of Trust.

"Qualified Project Costs" means costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by Borrower or but for a proper election by Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being

constructed or rehabilitated by an Affiliate (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliate, and (C) any overhead expenses incurred by the Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, inter company profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid).

"Qualified Project Period" shall have the meaning ascribed to such term in the Regulatory Agreement.

"Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants executed as of even date with this Loan Agreement by and among the Authority, Bondowner Representative and Borrower.

"Regulatory Costs" means collectively, future, supplemental, emergency or other changes in reserve percentages under Federal Reserve Board Regulation D, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority and related in any manner to a Variable Rate.

"Requirements" shall have the meaning ascribed to such term in Section 5.16(a).

"Reservation Letter" shall have the meaning ascribed to such term in Section 8.2(o).

"Reserve Percentage" means, at any time, the percentage announced by Bondowner Representative as the reserve percentage under Regulation D (as promulgated by the Board of Governors of the Federal Reserve System, or its successor) for loans and obligations making reference to a Variable Rate for a specified period, or time remaining in a specified period on a Variable Rate Adjustment Date, as appropriate. The Reserve Percentage shall be based on Regulation D or other regulations from time to time in effect concerning reserves for Eurocurrency Liabilities (as defined in Regulation D) from related institutions as though Bondowner Representative were in a net borrowing position.

"Secured Obligations" shall have the meaning ascribed to such term in the Deed of Trust.

"Security Agreement" means that certain Security Agreement dated as of even date with this Loan Agreement, executed by Borrower and General Partner in favor of Bondowner Representative.

"Single Purpose Entity" shall have the meaning ascribed to such term in Section 8.5(d).

"Subordinate Loans" means the Co-Construction Loans and the City Loan.

"Tax Certificate" means, collectively, the Certificate as to Arbitrage, executed by the Authority and Borrower and the Certificate Regarding Use of Proceeds executed by Borrower, both of which are dated as of the Closing.

"Tax Credits" means low income housing tax credits allocated to the Project pursuant to Section 42 of the Code.

"Taxes" means collectively, all withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to a Variable Rate.

"TCAC" means the California Tax Credit Allocation Committee.

"Title Company" means \_\_\_\_\_.

"Title Policy" shall have the meaning ascribed to such term in Section 4.1(d).

"Variable Rate Price Adjustment" shall have the meaning ascribed to such term in Section 3.5.

## **1.2 Rules of Interpretation**

(a) This Loan Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State, except as they may be preempted by federal rules, regulations and laws applicable to the Authority.

(b) The words "herein," "hereof" and "hereunder" and words of similar import, without reference to any particular section or subdivision, refer to this Loan Agreement as a whole rather than to any particular section or subdivision of this Loan Agreement.

(c) References in this Loan Agreement to any particular article, section or subdivision hereof are to the designated article, section or subdivision of this Loan Agreement as originally executed.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with tax basis accounting principles; and all computations provided for herein shall be made in accordance with tax basis accounting principles consistently applied and applied on the same basis as in prior years.

(e) The Table of Contents and titles of Articles and Sections herein are for convenience of reference only and are not a part of this Loan Agreement, and shall not define or limit the provisions hereof.

(f) Unless the context hereof clearly requires otherwise, the singular shall include the plural and vice versa and the masculine shall include the feminine and vice versa.

(g) Articles, Sections, subsections and clauses mentioned by number only are those so numbered which are contained in this Loan Agreement.

(h) Any opinion of counsel required hereunder shall be a written opinion of such counsel.

(i) References to the Bonds as "tax exempt" or to the "tax exempt status of the Bonds" are to the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

**1.3** Exhibits Incorporated. Exhibits A, B, C, D and E all attached hereto, are hereby incorporated into this Loan Agreement.

## **ARTICLE II.**

### **ISSUANCE OF BONDS; PAYMENT OF ISSUANCE COSTS**

**2.1** Issuance of Bonds. Upon execution of this Loan Agreement, the other Loan Documents, the Indenture and the occurrence of all conditions precedent to issuance, or as soon thereafter as practicable, the Authority will execute the Bonds and deliver the Bonds to Wells Fargo Bank, National Association or to its order upon payment of the purchase price and filing with Bondowner Representative of the opinion of Bond Counsel as to the legality of the Bonds and the furnishing of all other documents required to be furnished before such delivery. The proceeds of the Bonds will be deposited with Bondowner Representative and disbursed in accordance with Section 3.03 of the Indenture.

**2.2** No Warranty by Authority. BORROWER AGREES THAT, BECAUSE THE COMPONENTS OF THE PROJECT HAVE BEEN AND ARE TO BE DESIGNATED AND SELECTED BY IT, THE AUTHORITY HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE AUTHORITY MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE AUTHORITY SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 2.2 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE AUTHORITY, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT. IN ADDITION, BORROWER ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IT UNDERSTANDS THE NATURE AND STRUCTURE OF THE PROJECT; THAT IT IS FAMILIAR WITH THE PROVISIONS OF ALL OF THE DOCUMENTS AND INSTRUMENTS RELATING TO THE FINANCING OF THE PROJECT TO WHICH IT OR THE AUTHORITY IS A PARTY OR OF WHICH IT IS A BENEFICIARY; THAT IT UNDERSTANDS THE RISKS INHERENT IN

SUCH TRANSACTIONS, INCLUDING WITHOUT LIMITATION THE RISK OF LOSS OF THE PROJECT; AND THAT IT HAS NOT RELIED ON THE AUTHORITY FOR ANY GUIDANCE OR EXPERTISE IN ANALYZING THE FINANCIAL OR OTHER CONSEQUENCES OF SUCH FINANCING TRANSACTIONS OR OTHERWISE RELIED ON THE AUTHORITY IN ANY MANNER EXCEPT TO ISSUE THE BONDS IN ORDER TO PROVIDE FUNDS FOR THE LOAN.

**2.3** Payment of Costs of Issuance by Borrower. Borrower agrees that it will provide any and all funds required for the prompt and full payment of all costs of issuance of the Bonds not otherwise paid from Bond proceeds, including, but not limited to, the following items:

(a) all reasonable legal (including Bond Counsel and counsel to Borrower, the Authority and Bondowner Representative), abstractors', title insurance, financial, engineering, environmental, construction services, survey appraisal and accounting fees and expenses, administrative fees, printing and engraving costs and other expenses incurred and to be incurred by Borrower, the Authority and Bondowner Representative on or before or in connection with issuance of the Bonds;

(b) premiums on all insurance required to be secured and maintained during the term of this Loan Agreement;

(c) all recording fees and other taxes, charges, assessments, license or registration fees of every nature whatsoever incurred and to be incurred in connection with this financing (other than a tax on the income of the Authority or Bondowner Representative);

(d) all reasonable initial fees and expenses of Bondowner Representative and the Authority (including, without limitation, the Authority's initial bond administration fee);

(e) the fee payable to Bondowner Representative pursuant to Section 6.1 of this Agreement;

(f) fees payable to the California Debt Limit Allocation Committee and the California Debt and Investment Advisory Committee; and

(g) other reasonable costs of issuance.

### **ARTICLE III.**

#### **THE LOAN, LOAN REPAYMENT AND ADDITIONAL CHARGES**

**3.1** The Loan. The Authority agrees, upon the terms and conditions herein specified, to lend to Borrower the proceeds of the Bonds, by causing such proceeds to be deposited with Bondowner Representative in installments corresponding to the successive "draw-down" purchases of the Bonds by Bondowner Representative. The proceeds of the Bonds shall be disbursed as provided herein and in the Indenture. The obligation of Borrower to repay the Loan shall be evidenced by the Note. Contemporaneously with the issuance of the Bonds, the Authority will endorse the Note without recourse to the order of Bondowner Representative, as the assignee of the Authority. Borrower will repay the Loan in accordance with the provisions of the Note and this Loan Agreement.

**3.2** Loan Disbursements. The proceeds of the Bonds shall be disbursed by Bondowner Representative only in accordance with a written requisition of Borrower approved in writing by Bondowner Representative, which approval shall be granted by Bondowner Representative upon satisfaction or waiver by Bondowner Representative of the conditions set forth in Article 4.

**3.3** Loan Repayment and Payment of Other Amounts. Borrower hereby acknowledges its indebtedness to the Authority and covenants to repay the Loan, and to pay interest on the amount of the Loan outstanding from time to time in accordance with the following:

(a) On or before the Maturity Date, Borrower may, at its option, prepay principal on the Note, in whole or in part, in order to effect a redemption of Bonds pursuant to Section 4.01(a) of the Indenture by paying to Bondowner Representative an amount equal to the principal amount of the Bonds to be redeemed, together with all accrued and unpaid interest through the date of redemption of Bonds on the portion of principal prepaid, plus any Variable Rate Price Adjustment payable pursuant to Section 3.5, below. Borrower shall give Bondowner Representative not less than 15 days advance written notice of its intention to make a prepayment pursuant to this Section 3.3(a).

(b) [Intentionally Omitted].

(c) Following the occurrence of an Event of Default under this Loan Agreement and demand by Bondowner Representative for redemption of all of the Bonds pursuant to Section 4.01(b) of the Indenture, Borrower shall immediately pay to Bondowner Representative the full amount of outstanding principal of the Note, together with all accrued and unpaid interest thereon through the date of redemption of Bonds. Borrower shall pay to Bondowner Representative, at the time of such payment of principal, any Variable Rate Price Adjustment payable pursuant to Section 3.5, below.

(d) Borrower shall make regularly scheduled payments of principal and interest on the Note to Bondowner Representative ("**Basic Payments**") as follows:

(i) For so long as any portion of the principal of the Loan is outstanding, Borrower shall pay, on or before the first day of each month, an amount equal to the interest accrued on the Loan during the previous month.

(e) If Bondowner Representative gives written demand to Borrower to cause redemption of the Bonds pursuant to Section 4.01(d) of the Indenture, Borrower shall pay to Bondowner Representative the full amount of outstanding principal of the Note, together with all unpaid interest thereon and an amount equal to the premium required pursuant to Section 4.01(d) of the Indenture, subject to the following:

(i) Bondowner Representative's written demand must be delivered on or before \_\_\_\_\_;

(ii) The date upon which mandatory prepayment must be made shall be the date designated in Bondowner Representative's written demand, but



shall in no event be a date less than sixty (60) days after the date of delivery of such written demand to Bondowner Representative and Borrower;

(iii) the date upon which mandatory prepayment must be made can be extended, or excused altogether, by written notice from Bondowner Representative to Borrower.

(f) In the event of damage to or destruction or condemnation of the Project or any part thereof, Borrower shall pay to Bondowner Representative, for redemption of Bonds pursuant to Section 4.01(e) of the Indenture, such portion of the Loan as is required to be paid pursuant to Article 13 and Section 5.6 of the Deed of Trust, accrued and unpaid interest through the date of redemption of the Bonds, without premium.

(g) Borrower agrees to pay, at the same time as the monthly payments pursuant to Section 3.3(d), if required to do so by written notice from Bondowner Representative, one-twelfth (1/12<sup>th</sup>) of the amount budgeted by Borrower for annual premiums for insurance required to be maintained pursuant to this Loan Agreement and for real estate taxes or other charges for governmental service for the current year (except for utility charges) which shall be disbursed by Bondowner Representative from time to time.

(h) Borrower agrees to make such other payments to Bondowner Representative, in the amounts and at the times necessary to enable Bondowner Representative, on behalf of the Authority, to pay all amounts payable with respect to the Bonds when due, whether as principal of, premium, or interest on, or otherwise, and whether at maturity or by redemption (including mandatory sinking fund redemption) or acceleration or otherwise.

(i) Borrower also agrees to pay, (i) without written demand therefor, the fees of the Authority specified in Section 17 of the Regulatory Agreement (including, without limitation, the Authority's project monitor fee, its initial bond administration fee and its annual bond administration fee), at the times and in the amounts specified therein; and (ii) within thirty (30) days after receipt of request for payment thereof, all expenses of the Authority related to the Project and the financing thereof which are not otherwise required to be paid by Borrower under the terms of this Loan Agreement, including, without limitation, legal fees and expenses incurred in connection with the amendment, interpretation and enforcement of any documents relating to the Project or the Bonds and the performance of the Authority's obligations and exercise of its rights thereunder.

(j) Borrower agrees: (i) to pay to Bondowner Representative from time to time reasonable compensation for all services rendered by it (including the reasonable compensation, expenses and disbursements of its agents and counsel) under the Indenture and any other agreements relating to the Bonds to which Bondowner Representative is a party (collectively, "**Ordinary Fees and Expenses**"); (ii) except as otherwise expressly provided in the Indenture, this Loan Agreement or such other agreements related to the Bonds or the Project, to reimburse Bondowner Representative

upon its request for all reasonable expenses, disbursements and advances (including reasonable counsel fees) incurred or made by Bondowner Representative (provided that Bondowner Representative shall not be required to make advances) in accordance with any provision of the Indenture or other agreements to which Bondowner Representative is a party (including, but not limited to, the reasonable compensation and the expenses and disbursements of its agents and counsel and the cost of printing Bonds), except any such expense, disbursement or advance (provided that Bondowner Representative shall not be required to make advances) as may be attributable to its negligence or willful misconduct, (iii) to pay to any arbitration consultant retained by Bondowner Representative reasonable compensation for all services rendered by it, and (iv) to pay to Bondowner Representative any rebatable arbitration required to be paid to the federal government.

**3.4 Additional Charges.** Borrower agrees to pay each and all of the following (collectively, the "**Additional Charges**"):

(a) upon the occurrence of an Event of Default under the Indenture or a Default under this Loan Agreement, to or upon the order of Bondowner Representative, when due, all reasonable fees of Bondowner Representative for services rendered under the Indenture and any other amounts due under Section 6.23 which are not included in Ordinary Fees and Expenses, and all reasonable fees and charges of any registrars, legal counsel, accountants, engineers, public agencies and others incurred in the performance, on request of the Authority, of services required under the Indenture or this Loan Agreement for which such persons are entitled to payment or reimbursement, provided that Borrower may, upon notice to the Authority and without creating a Default hereunder, contest in good faith the necessity or reasonableness of any such services, fees or expenses other than Ordinary Fees and Expenses, but the Authority's final decision shall control;

(b) (i) all indemnity payments required to be made under Sections 6.23, 6.31, 9.4, 17.5 and 18.32 and Section 7 of the Regulatory Agreement (such indemnity payments being due to the Authority or Indemnified Party upon written demand therefor and accruing interest at the Default Rate 60 days after notice of demand therefor); (ii) all reasonable expenses (including reasonable legal fees and expenses) incurred by the Authority in exercising its rights under this Loan Agreement following a Default; and (iii) all other expenses incurred by the Authority in relation to the Project which are not otherwise required to be paid by Borrower under the terms of this Loan Agreement or any separate fee agreement, including costs incurred as a result of a request by Borrower; and

(c) interest, at the Default Rate, on all payments not made by Borrower under Section 3.3 and under this Section 3.4 when due, to the parties entitled thereto.

**3.5 Variable Rate Price Adjustment.** Borrower acknowledges that any prepayment of the Loan and early redemption of any portion of the Bonds shall result in Bondowner Representative's incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or

liabilities. Therefore, if any portion of the Bonds are redeemed pursuant to Sections 4.01(a), (b) or (e) of the Indenture on any date other than the first business day of a calendar month, Borrower will pay Bondowner Representative on the date of redemption (in addition to all other sums then owing to Bondowner Representative) an amount ("**Variable Rate Price Adjustment**") equal to the then present value of (a) the amount of interest that would have accrued on the portion of the Bonds redeemed for the remainder of such calendar month at the Variable Rate in effect as of the first day of such calendar month, less (b) the amount of interest that would accrue on the same portion of the Bonds redeemed for the same period if the Variable Rate were set on the date of redemption at the Variable Rate in effect on the [**Price Adjustment Date**]. The present value shall be calculated by using as a discount rate the LIBO Rate quoted on the date of redemption. Borrower understands, agrees and acknowledges the following: (x) Bondowner Representative has no obligation to purchase, sell and/or match funds in connection with the use of a LIBO Rate as a basis for calculating a Variable Rate or Variable Rate Price Adjustment; (y) a LIBO Rate is used merely as a reference in determining a Variable Rate and Variable Rate Price Adjustment; and (z) Borrower has accepted a LIBO Rate as a reasonable and fair basis for calculating a Variable Rate and a Variable Rate Price Adjustment. Borrower further agrees to pay the Variable Rate Price Adjustment, Taxes and Regulatory Costs, if any, whether or not Bondowner Representative elects to purchase, sell and/or match funds.

**3.6** **Borrower's Obligations Unconditional.** The obligations of Borrower to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and payment of the Loan and Additional Charges and all other payments required of Borrower hereunder or under the Note shall be paid without notice or demand and without set off, counterclaim, or defense for any reason and without abatement or deduction or defense. Borrower will not suspend or discontinue any such payments, will perform and observe all of its other agreements in this Loan Agreement and, except as expressly permitted in Section 15.1, will not terminate this Loan Agreement for any cause, including, but not limited, to any acts or circumstances that may constitute failure of consideration, destruction or damage to the Project or Borrower's business, the taking of the Project or Borrower's business by Condemnation or otherwise, the lawful prohibition of Borrower's use of the Project or Borrower's business, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Loan Agreement, the lack of right, power or authority of the Authority to enter into this Loan Agreement, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the Authority or Bondowner Representative, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State or any political subdivision thereof, or failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the payment of the Loan and other amounts payable by Borrower hereunder or under the Note shall be paid in full when due without any delay or diminution whatever.

**3.7** **Borrower's Remedies.** Nothing contained in this Article shall be construed to release the Authority and/or Bondowner Representative from the performance of any of its agreements herein, and if Authority should fail to perform any such agreements, Borrower may (subject to the limitations of Section 18.28) institute such action against the Authority and/or Bondowner Representative as Borrower may deem necessary to compel such performance so

long as such action shall not violate Borrower's agreements in Section 3.4 or diminish or delay the amounts required to be paid by Borrower pursuant to Sections 3.3, 3.4 and 3.5. Borrower, however, acknowledges and agrees that any pecuniary obligation of the Authority created by or arising out of this Loan Agreement shall be payable solely from the proceeds derived from this Loan Agreement, the sale of the Bonds, any insurance and condemnation awards, or amounts received upon the sale or other disposition of the Project upon a default by Borrower or otherwise.

**3.8** Assignment of Authority's Rights. As security for the payment of the Bonds, the Authority will pledge the amounts payable hereunder and assign, without recourse or liability, to Bondowner Representative, the Authority's rights under this Loan Agreement and the Note, including the right to receive payments hereunder (except for the Reserved Rights), and hereby directs Borrower to make said payments directly to Bondowner Representative, or otherwise upon the order of Bondowner Representative. Borrower assents to such assignment and will make payments under this Loan Agreement directly to Bondowner Representative, or otherwise upon the order of Bondowner Representative without defense or set off by reason of any dispute between Borrower, the Authority, the Bondholders or Bondowner Representative.

#### **ARTICLE IV.**

#### **DISBURSEMENT CONDITIONS PRECEDENT**

**4.1** Conditions Precedent to First Disbursement of Proceeds of the Bonds. Bondowner Representative's obligation to make the first disbursement of proceeds of the Bonds held by Bondowner Representative in the Bond Fund, in the amount of Fifty-Five Thousand and No/100 Dollars (\$55,000.00), shall be subject to satisfaction (or waiver by Bondowner Representative, in its sole discretion) of each of the following conditions precedent:

(a) Delivery of Documents. The documents listed on Exhibit B shall have been delivered to Bondowner Representative in form and substance satisfactory to Bondowner Representative, duly executed (and, if required by Bondowner Representative, acknowledged) by all of the appropriate parties.

(b) Recorded Documents. The following documents shall have been duly recorded, in the order indicated below, in the Official Records of Los Angeles County, California.

- (i) the Regulatory Agreement;
- (ii) the Deed of Trust;
- (iii) the deed of trust securing the obligations of Borrower under the HOME Loan;
- (iv) the deed of trust securing the obligations of Borrower under the AHP Loan; and
- (v) subordination agreements, each in form and content approved by Bondowner Representative, executed by the County and AHP Lender, respectively, subordinating their respective right to payment under the

HOME Loan and the AHP Loan and the liens securing the same to the Loan and the Deed of Trust.

(c) Financing Statements. The Financing Statements described in Exhibit B attached hereto, paragraph (a), items (vi) and (vii), shall have been filed with the California Secretary of State, and Bondowner Representative shall have received and approved the results of a UCC search conducted and certified by the California Secretary of State.

(d) Title Insurance. Borrower shall (at its own expense) have obtained a commitment from the Title Company in form and content satisfactory to Bondowner Representative for delivery to Bondowner Representative of a mortgagee's policy of title insurance (the "**Title Policy**") which complies with the following requirements: (x) the Title Policy shall be issued with respect to the Property, shall show the Deed of Trust as the insured mortgage, shall name Bondowner Representative as insured, shall be dated as of the date of recording of the Deed of Trust, shall be in an amount not less than the original principal amount of the Bonds, shall contain no creditor's rights exceptions, and shall be in form and substance reasonably satisfactory to Bondowner Representative; (y) when originally issued, the Title Policy shall be in form ALTA LP-10 (in 1992 form or other form acceptable to Bondowner Representative) and shall contain such endorsements as Bondowner Representative may require, including without limitation, CLTA Form 112.1 111.5, 116, 116.1 and 103.7 Endorsements, and a commitment to issue such further endorsements as Bondowner Representative may require, including without limitation, CLTA Form 122 Endorsements and CLTA Form 102.5 and 102.7 Endorsements upon completion of construction of foundations without encroachment; and (z) the Title Policy shall include a commitment by the Title Company to rewrite the Title Policy into a full ALTA Loan Policy (in 1992 form or other form acceptable to Bondowner Representative), with an unqualified and unlimited CLTA Form 100 Endorsement attached, upon completion of construction of the Project. The Title Policy shall insure:

(i) that the fee title to the Property is in Borrower;

(ii) that the Deed of Trust is a valid first lien upon the Property, subject only to Permitted Encumbrances; and

(iii) that the following standard exceptions be waived and insured: (1) facts which would be disclosed by a comprehensive survey of the Property, (2) mechanic's, contractors' or materialmen's liens and lien claims, (3) rights of parties in possession other than residential tenants under leases with a term of one year or less and (4) all other exceptions noted in Schedule B, Section I of the Title Policy.

(e) Opinion Letter. Bondowner Representative shall have received an original opinion of Bond Counsel approving and tax opinion for the Bonds, in form and content satisfactory to Bondowner Representative, addressed to Bondowner Representative.

(f) Delivery of Contracts; Approval of Reports. Bondowner Representative shall have received and approved in form and substance satisfactory to Bondowner Representative:

(i) an environmental questionnaire and environmental site assessment with respect to the presence of Hazardous Materials, if any, on the Property;

(ii) two sets of the Plans and Specifications, certified as complete by the Architect, together with evidence of all necessary or appropriate approvals of all applicable Governmental Authorities;

(iii) evidence of satisfaction of any and all conditions precedent to issuance (other than payment of a fee) of all building permits and similar permits, licenses, approvals, development agreements and other authorizations of Governmental Authorities required in connection with the construction, development and rehabilitation of the Property and Project including, but not limited to, all authorizations, including building permits, annexation agreements, development agreements, subdivision approvals, sewer and water permits, vault permits, encroachment permits, driveway access and curb cut authorizations, and zoning and land use entitlements, and all other approvals, consents, permits and licenses issued or to be issued by any Governmental Authority which are (a) required for the construction, development and rehabilitation of the Project in accordance with the Plans and Specifications and in accordance with all applicable laws, ordinances and regulations and (b) capable of being issued through the date of the requested disbursement, and all of the same shall remain in full force and effect;

(iv) copies of any initial study, negative declaration, mitigated negative declaration, environmental impact report, notice of determination or notice of exemption prepared, adopted, certified or filed by or with any Governmental Authority in connection with the Property and Project; and

(v) copies of all documents, agreements, instruments, policies and other materials relating to the Project requested by Bondowner Representative, including without limitation, appraisals; all design, architect's, engineering, brokerage and construction contracts; and surveys, in each case set forth in such detail as Bondowner Representative may require.

(g) Reservation Letter. Bondowner Representative shall have received a photocopy of the Reservation Letter.

(h) Utilities. Bondowner Representative shall have received evidence satisfactory to Bondowner Representative that all utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the development and occupancy of the Property and Project are available at or within the boundaries of the

Property, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Project.

(i) Fees. Borrower shall have paid to Bondowner Representative, in good funds, all fees owing pursuant to Section 6.1 and all costs of issuance of the Bonds.

(j) Admission of Investor Limited Partner. Investor Limited Partner shall have been admitted as a limited partner in Borrower, and Borrower's Partnership Documents shall have been amended to reflect the admission of Investor Limited Partner, on terms and conditions reasonably approved by Bondowner Representative. Without limitation upon the generality of the foregoing, the Partnership Documents, as amended, shall obligate Investor Limited Partner to make cash Capital Contributions in at least the amounts and at the times set forth below:

\$ _____	Upon admission of limited partner
\$ _____	_____
\$ _____	On or before placement of Project into service, final cost certification, and issuance of Form 8609

(k) Security Interest in Interest of Investor Limited Partner. Investor Limited Partner shall have executed and delivered to Bondowner Representative such documents as Bondowner Representative shall reasonably require in order to subject the limited partnership interest of Investor Limited Partner to a security interest in favor of Borrower (which security interest shall be assigned by Borrower to Bondowner Representative), as security for the obligations of Borrower under this Loan Agreement and the Note, and Bondowner Representative shall have filed such Financing Statements as may be necessary or appropriate in order to perfect such security interest.

(l) Delivery of Borrower's Funds. Borrower shall deliver to Bondowner Representative the sum of \$ \_\_\_\_\_, which represents a portion of the initial capital contribution from Investor Limited Partner to Borrower. Upon receipt by Bondowner Representative, said funds shall be deposited in the Borrower's Funds Account, and shall be disbursed by Bondowner Representative for the Property and Improvements pursuant to the terms and conditions set forth in this Loan Agreement and the Indenture.

(m) Payment and Performance Bond. Borrower shall have delivered to Bondowner Representative a payment and performance bond meeting the following requirements:

(i) the Bond shall name Borrower and Wells Fargo Bank, National Association, and its successors as Bondowner Representative under the Indenture, as co-obligees;

(ii) the Bond shall be in an amount not less than one hundred percent (100%) of the costs of the Construction Contract;

(iii) the Bond shall be issued by a corporate surety licensed to do business in the State and approved in writing by Bondowner Representative;

(iv) the Bond shall include language to the effect that the Contractor will promptly and faithfully perform its obligations under the Construction Contract and that the surety waives notice of any alteration or extension of time given by Borrower under the Construction Contract;

(v) the Bond shall include a requirement of the principal to promptly make payment to all claimants; and

(vi) the Bond shall correctly state Borrower's name and the address of the Project.

**4.2** Condition Precedent to Any Post-Closing Disbursement. Bondowner Representative's obligation to make any Disbursement after the first disbursement of the proceeds of the Bonds shall be subject to satisfaction (or waiver by Bondowner Representative, in its sole discretion) of each of the following conditions precedent:

(a) Co-Construction Loans. Proceeds of the Co-Construction Loans, in the aggregate amount of at least \$\_\_\_\_\_, less retainage pursuant to the documents that govern the Co-Construction Loans, have been fully disbursed in payment of costs of the Project approved by Bondowner Representative.

**4.3** Conditions Precedent To Any Disbursement. Bondowner Representative's obligation to make any Disbursement (including the first disbursement of the proceeds of the Bonds and the final Disbursement) shall be subject to the satisfaction (or waiver by Bondowner Representative, in its sole discretion) of the following conditions precedent:

(a) Application for Payment. Bondowner Representative shall have received and approved an Application for Payment (as defined in the Disbursement Plan) executed by Borrower (a copy of which shall be provided by Borrower, concurrently with its delivery to Bondowner Representative, to Investor Limited Partner) stating the amount of the Disbursement then requested and meeting the requirements of the Disbursement Plan attached hereto as Exhibit D, and all other documents, instruments, agreements, certificates, liens waivers and other items required thereunder.

(b) Disbursement Plan Conditions. All of the conditions precedent to the requested Disbursement set forth in the Disbursement Plan attached hereto as Exhibit D shall have been satisfied.

(c) Compliance with Financial Requirements Analysis; Borrower's Funds. Borrower shall be in compliance with its obligations under Section 5.6 and 5.7. To the extent that Borrower is obligated to deposit Borrower's Funds into the Borrower's Funds Account pursuant to those Sections, such Borrower's Funds shall have been fully disbursed as a condition to any obligation of Bondowner Representative to make further disbursement of proceeds of the Loan.

(d) Bondowner Representative Inspections. Bondowner Representative shall have determined, based upon such inspections and examinations of the progress



of construction of the Project as Bondowner Representative shall elect in its sole judgment to conduct from time to time, that construction of the Project is proceeding in accordance with the Plans and Specifications, as modified by change orders with respect to which Borrower has complied with Section 5.5. Borrower shall have paid all of the costs and expenses of Bondowner Representative incurred in any such inspection and examination.

(e) Government Inspections. If Bondowner Representative shall so require, any portion of the Project completed through the date of the requested Disbursement which requires inspection or certification by municipal or other Governmental Authorities shall have been inspected and certified as complete and all other necessary approvals shall have been duly issued and Bondowner Representative shall have received true and correct copies of all such inspections, certificates and approvals or Bondowner Representative shall have received other evidence, in form and content reasonably satisfactory to Bondowner Representative, that the Project has been constructed in such a manner as to be in compliance with any such inspections, certificates and approvals.

(f) Title Endorsements. Bondowner Representative shall have received such endorsements and binders to the Title Policy as Bondowner Representative may require (including without limitation endorsements confirming the continuing priority of the Deed of Trust with respect to such Disbursement, and endorsements confirming that no encroachments exist on the Property or adjoining property). Without limitation upon the generality of the foregoing, Bondowner Representative shall not be required to make any Disbursement after the foundations of any of the buildings that form part of the Project have been installed, or at any time for any item other than foundation and pre-foundation items, unless and until Bondowner Representative has been furnished, at the sole cost of Borrower, such endorsements to the Title Policy as Bondowner Representative may require, guaranteeing in effect that the foundations of such buildings have been located and constructed within the boundary lines of the Property and that the foundations do not encroach onto any easements in violation of the terms of any recorded documents related to such easements. Bondowner Representative shall be furnished, at no cost to it, such surveys and certificates as may be required by the title insurance company in connection with the issuance of such endorsement.

(g) Mechanics' Liens; Stop Notices. No mechanics' lien shall have been recorded against the Property and no stop notice shall have been served upon Bondowner Representative or the Authority unless there has been issued a surety bond, or such other collateral as is satisfactory to Bondowner Representative, adequate to release the Project from the lien thereof in accordance with this section), and Bondowner Representative shall have no reasonable cause to believe that the requested Disbursement will be junior in priority of lien to any mechanics' or material suppliers' lien or to any intervening or other lien upon the Property; if a claim of lien is recorded which affects the Property or Project or a bonded stop notice is served upon Bondowner Representative and/or the Authority, Borrower shall, within twenty (20) calendar days of such recording or service or within five (5) calendar days of Bondowner Representative's demand, whichever occurs first: (i) pay and discharge the claim of lien or bonded stop notice; (ii) effect the release thereof by

recording or delivering to Bondowner Representative a surety bond in sufficient form and amount; or (iii) provide Bondowner Representative with other assurances which Bondowner Representative deems, in its sole discretion, to be satisfactory for the payment of such claim of lien or bonded stop notice and for the full and continuous protection of the lien of the Deed of Trust from the effect of such lien or bonded stop notice.

(h) Compliance With Bond and Loan Documents. Borrower shall have complied with all of the terms and conditions imposed by the Indenture and this Loan Agreement in connection with such Disbursement and Bondowner Representative shall have received a certificate to that effect signed by Borrower.

(i) No Default; Compliance with Bond Documents. There shall exist no Default, as defined in this Loan Agreement, or Event of Default as defined in any of the other Bond Documents and Loan Documents or in the Other Related Documents (subject to all applicable notice and cure periods), or event requiring mandatory redemption of the Bonds or event which, with the giving of notice or the passage of time, or both, could be a Default under this Loan Agreement or event requiring mandatory redemption of the Bonds, and Borrower shall have performed all of its obligations under this Loan Agreement and complied with all of the terms and conditions imposed by the Indenture and Loan Agreement in connection with such Disbursement and, if Bondowner Representative shall so require, Bondowner Representative shall have received a certificate to that effect signed by Borrower.

(j) Representations and Warranties. All representations and warranties contained in this Loan Agreement shall be true and correct as of the date of the Disbursement, and Bondowner Representative shall have received a certificate restating each of such representations and warranties as true and correct as of the date of the Disbursement.

(k) Full Force and Effect. Each of the Bond Documents and Loan Documents shall remain in full force and effect, binding upon all parties thereto.

(l) Status of Project Funds. All of the obligations of Borrower shall have been fully performed and discharged and the Project shall be free and clear of all liens for labor or materials provided to date (or shall have been bonded over to Bondowner Representative's reasonable satisfaction), and all work performed to date in construction of the Project shall have been accomplished in a good workmanlike manner and in accordance with the Plans and Specifications.

(m) Status of City Loan. The commitment by the City to make the City Loan shall remain in full force and effect, and no uncured default or failure of condition shall have occurred in connection with that commitment.

#### **4.4** Account, Pledge and Assignment, and Disbursement Authorization.

Borrower's Funds shall be deposited into Borrower's Funds Account and disbursed by Bondowner Representative to or for the benefit or account of Borrower under the terms of the Indenture, after notice to Investor Limited Partner, upon the written request of any person who has been authorized by Borrower to request such Disbursements until such time as written notice

of Borrower's revocation of such authority is received by Bondowner Representative. As additional security for Borrower's performance under the Loan Documents, Borrower hereby irrevocably pledges and assigns to Bondowner Representative, and grants to Bondowner Representative a security interest in Borrower's Funds Account and all moneys at any time deposited in Borrower's Funds Account, as collateral security for the obligations of Borrower under this Loan Agreement and the Note, and agrees that Bondowner Representative shall have all of the rights of a secured party under the California Uniform Commercial Code in connection therewith.

**4.5** Loan Disbursements. Subject to the conditions set forth in Section 5.7, Bondowner Representative shall have no obligation to make any Disbursement until and unless the first Capital Contribution in the amount of \$\_\_\_\_\_ and all of the proceeds of the Co-Construction Loans in the aggregate amount of \$\_\_\_\_\_ have been fully disbursed and applied to Project Costs in accordance with the Financial Requirements Analysis, and all proceeds of the Bonds and Borrower's Funds previously disbursed shall have been disbursed in accordance with the terms and conditions of Exhibit D attached hereto and applied to Project Costs in accordance with the Financial Requirements Analysis. All costs incurred in connection with the requisition and disbursement of funds from the Bond Fund, including, but not limited to, updates to the Title Policy, shall be paid by Borrower. All disbursements shall be held by Borrower in trust and applied by Borrower solely for the purposes for which the funds have been disbursed. Bondowner Representative has no obligation to monitor or determine Borrower's use or application of the Disbursements.

**4.6** Conditions to the Obligations of the Authority. The obligations of the Authority to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the Authority, to the performance by Bondowner Representative and Borrower of their respective obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

- (a) Each of the Indenture, this Loan Agreement and the Regulatory Agreement shall have been executed by the parties thereto.
- (b) No order, decree, injunction, ruling or regulation of any court, regulatory agency public board or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly of prohibiting the offering, sale or issuance of the Bonds as contemplated in the Indenture herein; and
- (c) The conditions precedent set forth in Section 4.1 shall have been satisfied.

## **ARTICLE V.**

### **CONSTRUCTION COVENANTS**

**5.1** Commencement and Completion. Borrower shall commence construction of the Project without delay after recordation of the Deed of Trust and shall complete construction of the Project on or before the Completion Date.

**5.2** Force Majeure. The time within which construction of the Project must be completed shall be extended for a period of time equal to the period of any delay directly affecting construction which is caused by fire, earthquake or other acts of God, strike, lockout, acts of public enemy, riot, insurrection, or governmental regulation of the sale or transportation

of materials, supplies or labor; provided, however, that Borrower shall furnish Bondowner Representative with written notice satisfactory to Bondowner Representative evidencing any such delay within ten (10) days from the occurrence of any such delay. In no event shall the time for completion of the Project be extended more than sixty (60) days beyond the Completion Date.

**5.3** Construction Contract. Borrower and Contractor have entered into the Construction Contract pursuant to the terms and conditions of which Contractor is to construct the Project. Borrower shall require Contractor to perform in accordance with the terms of the Construction Contract, subject to Section 5.5(a), and shall not amend, modify or alter the responsibilities of Contractor under the Construction Contract without Bondowner Representative's prior written consent. Borrower shall execute, upon Bondowner Representative's request, an assignment of Borrower's rights under the Construction Contract to Bondowner Representative as security for Borrower's obligations under this Loan Agreement and the other Loan Documents and shall cause the Contractor to consent to any such assignment.

**5.4** Architectural Contract. Borrower and Architect have entered into the Architectural Contract, pursuant to which Architect is to design the Project. Borrower shall require Architect to perform in accordance with the terms of the Architectural Contract and subject to Section 5.5(a), shall not amend, modify or alter the responsibilities of Architect under the Architectural Contract without Bondowner Representative's prior written consent. Upon Bondowner Representative's request, Borrower shall execute an assignment of the Architectural Contract and the Plans and Specifications to Bondowner Representative as additional security for Borrower's performance under this Loan Agreement and the other Loan Documents and shall cause the Architect to consent to any such assignment.

**5.5** Plans and Specifications.

(a) Changes: Bondowner Representative Consent. Except as otherwise provided in this Loan Agreement, Borrower shall not make any changes in the Plans and Specifications without the prior written consent of Bondowner Representative if such change: (i) constitutes a material change in the building material or equipment specifications, or in the architectural or structural design, value or quality of any of the Project; (ii) would result in an increase of construction costs in excess of \$10,000.00 for any single change or in excess of \$25,000.00 for all such changes; (iii) would affect the structural integrity, quality of building materials, or overall efficiency of operating systems of the Project. Without limiting the above, Bondowner Representative agrees that Borrower may make minor changes in the Plans and Specifications without Bondowner Representative's prior written consent, provided that such changes do not violate any of the conditions specified herein. Borrower shall at all times maintain, for inspection by Bondowner Representative, a full set of working drawings of the Project.

(b) Changes; Submission Requirements. Borrower shall submit any proposed change in the Plans and Specifications to Bondowner Representative at least ten (10) days prior to the commencement of construction relating to such proposed change whether or not such change is subject to Bondowner Representative's consent. Requests for any change which requires consent shall be accompanied by working drawings and a written description of the proposed change, submitted on a change order form acceptable to Bondowner Representative, signed by Borrower and, if required by Bondowner Representative, also by the Architect and the Contractor. At its option, Bondowner

Representative may require Borrower to provide: (i) evidence satisfactory to Bondowner Representative of the cost and time necessary to complete the proposed change; (ii) a deposit in the amount of any increased costs into the Borrower's Funds Account in accordance with Section 5.7; and (iii) a complete set of "as built" Plans and Specifications for the completed Project.

(c) Consent Process. Borrower acknowledges that Bondowner Representative's review of tiny changes and required consent may result in delays in construction and hereby consents to any such delays; provided, however, that Bondowner Representative will use its best efforts to review such changes in a timely manner.

(d) Final Plans and Specifications. Upon completion construction of the Project, Borrower shall deliver to Bondowner Representative within ten (10) days a set of final Plans and Specifications.

**5.6** Financial Requirements Analysis. Borrower shall apply proceeds of the Bonds in accordance with the Financial Requirements Analysis, and shall construct the Project in accordance with the Plans and Specifications and within the time limits imposed by this Loan Agreement. Promptly and in any event within ten (10) days after Borrower's discovery that the Financial Requirements Analysis does not accurately project the Project Costs which have been and will be incurred in connection with construction of the Project in accordance with the Plans and Specifications, Borrower shall notify Bondowner Representative of the discrepancy and shall submit to Bondowner Representative a revised budget of Project Costs.

**5.7** Balancing. Borrower agrees to keep the Financial Requirements Analysis "in balance" at all times. The Financial Requirements Analysis is not "in balance" if any undisbursed monies in the Bond Fund together with all sums, if any, to be provided by Borrower as shown in Exhibit C attached hereto are not at all times equal to or greater than the amount which Bondowner Representative from time to time determines necessary to: (i) complete each line item category as contained on Exhibit C attached hereto; (ii) pay, through completion, all costs of development, construction, operation and leasing of the Project in accordance with the Bond Documents and the Loan Documents; (iii) pay all sums which may become payable under the Loan Documents and Other Related Documents; and (iv) enable Borrower to perform and satisfy all of the covenants of Borrower contained in the Loan Documents. If Bondowner Representative determines at any time that the Financial Requirements Analysis is not "in balance", Borrower shall provide the amount of such deficiency to Bondowner Representative for deposit into Borrower's Funds Account.

**5.8** Contractor/Construction Information. Within ten (10) days of Bondowner Representative's written request, Borrower shall deliver to Bondowner Representative from time to time in a form acceptable to Bondowner Representative: (a) a list detailing the name, address and phone number of each contractor, subcontractor and material supplier to be employed or used for construction of the Project together with the dollar amount, including changes, if any, of each contract and subcontract, and the portion thereof, if any, paid through the date of such list; (b) copies of each contract and subcontract identified in such list, including any changes thereto; (c) a cost breakdown of the projected total cost of constructing the Project, and that portion, if any, of each cost item which has been incurred; and (d) a construction progress schedule detailing the progress of construction and the projected sequencing and completion time for uncompleted work, all as of the date of such schedule.

Borrower agrees that Bondowner Representative may disapprove any contractor, subcontractor or material supplier which, in Bondowner Representative's good faith determination, is deemed financially or otherwise unqualified; provided, however, that the absence of any such disapproval shall not constitute a warranty or representation of qualification by Bondowner Representative. Bondowner Representative may contact any such contractor, subcontractor or material supplier to discuss the course of construction.

**5.9 Prohibited Contracts.** Without Bondowner Representative's prior written consent, Borrower shall not contract for any materials, furnishings, equipment, fixtures or other parts or components of the Project (other than for coin operated vending machines), if any third party shall retain any ownership interest (other than lien rights created by operation of law) in such items after their delivery to the Property and Project. Borrower shall have five (5) days to effect the removal of any such retained interest.

**5.10 Liens and Stop Notices.** If a claim of lien is recorded which affects the Property or Project or a bonded stop notice is served upon Bondowner Representative or the Authority, Borrower shall, within twenty (20) calendar days of such recording or service or within five (5) calendar days of Bondowner Representative's demand, whichever occurs first: (a) pay and discharge the claim of lien or bonded stop notice; (b) effect the release thereof by recording or delivering to Bondowner Representative a surety bond in sufficient form and amount; or (c) provide Bondowner Representative with other assurances which Bondowner Representative deems, in its sole discretion, to be satisfactory for the payment of such claim of lien or bonded stop notice and for the full and continuous protection of Bondowner Representative from the effect of such lien or bonded stop notice.

**5.11 Construction Responsibilities.** Borrower shall construct the Project in a workmanlike manner according to the Plans and Specifications and the recommendations of any soils or engineering report approved by Bondowner Representative. Borrower shall comply with all applicable laws, ordinances, rules, regulations, building restrictions, recorded covenants and restrictions, and requirements of all regulatory authorities having jurisdiction over the Property or Project. Borrower shall be solely responsible for all aspects of Borrower's business and conduct in connection with the Property and Project, including, without limitation, for the quality and suitability of the Plans and Specifications and their compliance with all governmental requirements, the supervision of the work of construction, the qualifications, financial condition and performance of all architects, engineers, contractors, material suppliers, consultants and property managers, and the accuracy of all applications for payment and the proper application of all Disbursements. Bondowner Representative is not obligated to supervise, inspect or inform Borrower or any third party of any aspect of the construction of the Project or any other matter referred to above.

**5.12 Assessments and Community Facilities Districts.** Without Bondowner Representative's prior written consent, Borrower shall not cause to become effective or otherwise consent to the formation of any assessment district or community facilities district which includes all or any part of the Property and Project pursuant to: (a) the Mello-Roos Community Facilities Act of 1982; (b) the Municipal Improvement Act of 1913; or (c) any other comparable or similar statute or regulation. Nor shall Borrower cause or otherwise consent to the levying of special taxes or assessments against the Property and Project by any such assessment district or community facilities district.

**5.13 Delay.** Borrower shall promptly notify Bondowner Representative in writing of any event causing more than a thirty (30) day delay or interruption of construction of



the Project, or the timely completion of such construction. The notice shall specify the particular work delayed, and the cause and period of each delay.

**5.14 Inspections.**

(a) Bondowner Representative shall have the right to enter upon the Property at all reasonable times and upon reasonable notice to inspect the Project and the construction work and to verify information disclosed or required pursuant to this Loan Agreement.

(b) If Bondowner Representative in its reasonable judgment determines that any work or materials fail to conform to the approved Plans and Specifications or sound building practices, or that they otherwise depart from any of the requirements of this Loan Agreement, Bondowner Representative may require the work to be stopped and withhold further Disbursements until the matter is corrected. If this occurs, Borrower must correct the work to Bondowner Representative's satisfaction promptly and, at Bondowner Representative's request, halt all other work pending completion of such corrective work. No such action by Bondowner Representative will affect Borrower's obligation to complete the Project in accordance with the Plans and Specifications and on or before the Completion Date.

(c) Bondowner Representative has no duty to visit the Project site, to supervise or observe rehabilitation or construction activities or to examine any books or records. Any site visit, observation or examination by Bondowner Representative is solely for the purpose of protecting Bondowner Representative's rights and interests, and may not be relied upon by Borrower or by any third party as a representation or warranty of compliance with this Loan Agreement or any other agreement. No site visit, observation or examination by Bondowner Representative will impose any liability on Bondowner Representative or result in a waiver of any default of Borrower or be a representation that Borrower is or will be in compliance with the Plans and Specifications, that the construction is free from defective materials or workmanship, or that the construction complies with all applicable Requirements. Neither Borrower nor any other party is entitled to rely on any site visit, observation or examination by Bondowner Representative. Bondowner Representative owes no duty of care to protect Borrower or any other party against, or to inform Borrower or any other party of, any negligent or defective design or construction of the Project or any other adverse condition affecting the Property.

(d) Upon Bondowner Representative's written request, Borrower shall promptly deliver to Bondowner Representative: (a) a perimeter survey of the Property; (b) upon completion of the foundations of the Project, a survey showing the location of the Project on the Property and confirming that the Project are located entirely within the Property and do not encroach upon any easement, or breach or violate any governmental requirement; and (c) upon completion of the Project, an as-built survey acceptable to a title insurer for purposes of issuing an ALTA policy of title insurance. All such surveys shall be performed and certified by a licensed engineer or surveyor acceptable to the title insurer.

**5.15** [Intentionally omitted.]

**5.16** Project, Title, Operation and Maintenance.

(a) The Authority shall not be under any obligation to operate, maintain or repair the Property. Borrower agrees that until this Loan Agreement is terminated pursuant to Section 15.1, it will, at its own expense, (a) keep the Property in safe repair and in such operating condition as is needed for its operations; (b) make all necessary repairs and replacements to the Property (whether ordinary or extraordinary, structural or nonstructural); (c) subject to the restrictions imposed by the Regulatory Agreement, operate the Project in a sound and economic manner in accordance with usual business practice; (d) operate the Project in compliance with all applicable laws, codes, environmental laws, zoning laws, the ADA (to the extent applicable) and laws regulating construction, occupancy or maintenance of property of a character included in the Project; and (e) comply with all existing and future laws, regulations, orders, building codes and restrictions and requirements of, and all permits and approvals from, and agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Property or Borrower's business, conducted thereon or therefrom, and with all restrictive covenants and other title encumbrances encumbering the Property, including without limitation those contained in the Regulatory Agreement (all collectively, the "**Requirements**").

(b) Borrower shall pay all expenses of the operation and maintenance of the Project including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all taxes and special assessments levied upon or with respect to the Project and payable during the term of this Loan Agreement, all in conformance with and subject to any good faith contest provisions provided in the Deed of Trust.

(c) In the event Borrower shall fail to maintain, or cause to be maintained, the full insurance coverage required by this Loan Agreement or shall fail to keep the Project in good repair and good operating condition and make all necessary repairs and replacements to the Project, Bondowner Representative may, pursuant to instructions from Bondowner Representative and after providing Borrower with reasonable notice and the opportunity to remedy the problem(s) identified by Bondowner Representative, but shall be under no obligation to, contract for the required policies of insurance and pay the premiums on the same or make any required repairs, renewals and replacements (provided that Bondowner Representative shall have no obligation to take such actions, unless directed to do so by Bondowner Representative and furnished by Bondowner Representative with sufficient funds therefor); and Borrower agrees to reimburse the Authority or Bondowner Representative to the extent of the amounts so advanced, and in addition shall pay interest on any such amount at the Default Rate from the date such amount was advanced until the date such amount was repaid or reimbursed by Borrower.

(d) Borrower shall obtain or cause to be obtained all necessary permits and approvals for the operation and maintenance of the Project and shall comply with all



applicable lawful requirements of any governmental body regarding the use or condition of the Project, whether existing or later enacted or whether involving any change in governmental policy or requiring structural or other changes to part or all of the Project and irrespective of the cost of making the same.

(e) Notwithstanding the provisions of this Section 5.16, Borrower may in good faith contest the validity or the applicability of any law, ordinance, rule or regulation provided that during the period of such contest and any appeal therefrom, (i) such failure to comply with such requirement or requirements will not adversely affect the lien of the Deed of Trust or materially endanger such liens or the Project or any part thereof, (ii) will not subject the Project or any part thereof to loss or forfeiture and (iii) Borrower will post with Bondowner Representative, for the benefit of the Bondholders, cash, a bond or other reasonably acceptable security in an amount equal to 125% of the disputed amount.

(f) Borrower agrees not to permit or suffer others to commit a nuisance in or about the Property or themselves commit a nuisance in connection with their use or occupancy of the Property.

**5.17** Advances. Borrower acknowledges and agrees that under this Loan Agreement and certain of the other Loan Documents, the Bondholders or Bondowner Representative may, but shall be under no obligation to, take certain action and make certain advances relating to the Project from certain funds held under the Indenture or otherwise, or to certain other matters as expressly provided therein, and Borrower shall be obligated to repay all such advances on demand with interest from the date such payment was originally advanced until repaid or reimbursed by Borrower at the Default Rate.

**5.18** Alterations to the Project and Removal of Equipment. Without the reasonable consent of Bondowner Representative, Borrower shall not remodel or make any additions, modifications, alterations, or changes to the Project (collectively referred to as "alterations") in or to the Project or remove any equipment therefrom other than in the ordinary course of business in the operation of the Project. Notwithstanding the provisions of the Deed of Trust, no such alteration or removal will be made if to do so would impair the character of the Project as a "project" within the meaning of the Act, or impair the exclusion of interest on the Bonds from gross income for federal income tax purposes.

**5.19** Construction Schedule. If, based on any construction progress schedule or other materials submitted by Borrower, Bondowner Representative in its reasonable judgment determines that the Project will not be completed by the Completion Date, Bondowner Representative may request Borrower in writing to reschedule the work of construction to permit timely completion. In addition, if Bondowner Representative in its reasonable judgment determines that any building constituting the Project will not be "placed in service" (within the meaning of Section 42 of the Code) by the Completion Date, Bondowner Representative may request Borrower in writing to reschedule the work of construction. Within fifteen (15) days after receiving such a request from Bondowner Representative, Borrower must deliver to Bondowner Representative a revised construction progress schedule showing completion of the Project by the Completion Date. As a condition to any agreement to extend the Completion Date, Bondowner Representative may require Borrower to confirm by evidence satisfactory to

Bondowner Representative that such extension will not have any adverse effect upon the availability of the Tax Credits for the Project.

**5.20 Preservation of Rights.** Borrower must obtain, preserve and maintain in good standing, as applicable, all rights, privileges and franchises necessary or desirable for the operation of the Property and the conduct of Borrower's business thereon or therefrom.

**5.21 Maintenance and Repair.** Borrower must (i) maintain the Property, including the parking and landscaping portions thereof, in good condition and repair, (ii) promptly make all necessary structural and non-structural repairs to the Project (or cause tenants under any leases to perform such obligation), and (iii) not erect any new buildings, structures or building additions on the Property, without the prior written consent of Bondowner Representative. Borrower must pay when due all claims for labor performed and materials furnished therefor in connection with any improvement or construction activities.

**5.22 Permits, Licenses and Approvals.** Borrower must obtain, comply with and keep in effect all building permits and similar permits, licenses, approvals, development agreements and other authorizations required from governmental bodies in connection with the development and construction of the Property and Project. Borrower must deliver copies of all such permits, licenses and approvals to Bondowner Representative promptly, and in any event within twenty (20) days after receipt thereof.

**5.23 Performance of Acts.** Borrower must perform, upon Bondowner Representative's request, all acts necessary to perfect any lien or security interest provided for in the Loan Documents.

**5.24 Management Agreement.** Bondowner Representative must review and approve any agreement providing for the management or operation of the Property, including any material modifications or amendments thereto, before Borrower can enter into such agreement, provided, however, the approval of Bondowner Representative shall not be required for the renewal of any such agreement.

**5.25 Tax Receipts.** Throughout the term of the Loan, at Borrower's sole expense, Bondowner Representative must be furnished with a tax services contract issued by a tax reporting agency satisfactory to it.

## **ARTICLE VI. BORROWER'S COVENANTS**

**6.1 Fees.** Borrower shall pay or cause to be paid to Bondowner Representative in cash or by such other means as may be satisfactory to Bondowner Representative in its sole discretion, a loan fee in the amount of one percent (1.0%) of the maximum principal amount of the Bonds, payable on or before execution of this Loan Agreement.

**6.2 Expenses.** Borrower shall immediately pay Bondowner Representative upon demand all costs and expenses incurred by Bondowner Representative in connection with: (a) the preparation of this Loan Agreement, all other Loan Documents, Other Related Documents and Bond Documents; (b) the administration of this Loan Agreement, the other Loan Documents and Other Related Documents and Bond Documents for the term of the Loan; and (c) the enforcement or satisfaction by Bondowner Representative of any of Borrower's obligations under this Loan Agreement, the other Loan Documents or the Other Related Documents or Bond Documents. For all purposes of this Loan Agreement, Bondowner Representative's costs and expenses shall include, without limitation, all appraisal fees, cost engineering and inspection fees, legal fees and expenses, accounting fees, environmental

consultant fees, auditor fees, UCC filing fees and/or UCC vendor fees and the cost to Bondowner Representative of any title insurance premiums, title surveys, reconveyance and notary fees. Borrower recognizes and agrees that formal written appraisals of the Property and Project by a licensed independent appraiser may be required by Bondowner Representative's internal procedures and/or federal regulatory reporting requirements on an annual and/or specialized basis and that Bondowner Representative may, at its option, require inspection of the Property and Project by an independent supervising architect and/or cost engineering specialist: (i) prior to each Disbursement; (ii) at least once each month during the course of construction even though no Disbursement is to be made for that month; (iii) upon completion of the Project; and (iv) at least semiannually thereafter. If any of the services described above are provided by an employee of Bondowner Representative, Bondowner Representative's costs and expenses for such services shall be calculated in accordance with Bondowner Representative's standard charge for such services.

**6.3** Taxes and Impositions. Borrower shall pay or cause to be paid, prior to delinquency, all of the following (collectively, the "**Impositions**"): (a) all general and specific real property taxes and assessments imposed on the Property; (b) all other taxes and assessments and charges of every kind that are assessed upon the Property (or upon the owner and/or operator of the Property) and that create or may create a lien upon the Property (or upon any personal property or fixtures used in connection with the Property), including without limitation nongovernmental levies and assessments pursuant to applicable covenants, conditions or restrictions; and (c) all license fees, taxes and assessments imposed on Bondowner Representative (other than Bondowner Representative's income or franchise taxes) which are measured by or based upon (in whole or in part) the amount of the obligations secured by the Property. If permitted by law, Borrower may pay or cause to be paid any Imposition in installments (together with any accrued interest). Borrower shall not be required to pay or cause to be paid any Imposition so long as (d) its validity is being actively contested in good faith and by appropriate proceedings, (e) Borrower has demonstrated to Bondowner Representative's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such Imposition or otherwise impair Bondowner Representative's interests under the Loan Documents and (f) if Bondowner Representative shall so request, Borrower has furnished Bondowner Representative with a bond or other security satisfactory to Bondowner Representative in an amount not less than 100% of the applicable claim. Upon demand by Bondowner Representative from time to time, Borrower shall (g) deliver to Bondowner Representative, within 30 days following the due date of Imposition, evidence of payment or other satisfaction of such Imposition reasonably satisfactory to Bondowner Representative and (h) furnish to Bondowner Representative a tax reporting service for the Property of a type and duration, and with a company, reasonably satisfactory to Bondowner Representative. Notwithstanding the foregoing, Borrower shall comply with any provisions of the Indenture which require impounding of Impositions and if such provisions are inconsistent with the requirements of this Loan Agreement, the provisions of the Indenture shall control.

**6.4** Compliance with Laws. Borrower shall comply with all laws and requirements of Governmental Authorities and all rights of third parties, relating to the Property or Borrower's business or other properties, and deliver to Bondowner Representative from time to time, within 10 days of Bondowner Representative's request therefor, evidence satisfactory to Bondowner Representative that Borrower has complied with any such law, requirement or right.

**6.5** Maintenance and Security for Project. Borrower shall maintain the Project in good condition and repair (such condition and repair to be consistent with that of competing properties), take all measures reasonably required by Bondowner Representative to protect the physical security of the Project, and not permit any waste or damage with respect to the Project.

**6.6** Notice of Certain Matters. Borrower shall give notice to Bondowner Representative, within 7 days of Borrower's knowledge thereof, of each of the following:

(a) any litigation or claim of any kind affecting or relating to Borrower and involving an amount in excess of \$50,000.00, and any litigation or claim of any kind that might subject Borrower to liability in excess of \$50,000.00, whether covered by insurance or not;

(b) any aspect of the Project that is not in conformity with the Plans and Specifications in a material respect;

(c) the creation or imposition of any mechanic's lien, materialmen's lien or other lien against the Project unless Borrower shall post statutory bonds or other security satisfactory to Bondowner Representative sufficient to cause the removal of such lien;

(d) the occurrence of any default that remains uncured beyond any applicable notice and cure period by Borrower or any other party under any Project Agreement, or the receipt by Borrower of any notice of default under any Project Agreement;

(e) the occurrence of any dispute between Borrower and any Governmental Authority relating to the Project, the adverse determination of which might materially affect the Project;

(f) the occurrence of any threat or commencement of proceedings in condemnation or eminent domain relating to Borrower's ownership of the Project;

(g) the use of any trade name hereafter used by Borrower in connection with the Project, other than the use of the trade name "Havenhurst Apartments";

(h) any change in Borrower's principal place of business;

(i) the occurrence of any Default or event which, with the giving of notice or the passage of time or both, would constitute a Default; and

(j) the occurrence of any other event or condition causing a material adverse change in the financial condition of Borrower.

**6.7** Liens on Property. Borrower shall not cause or suffer to become effective any lien, restriction or other title limitation affecting any part of the Property other than mechanics' liens permitted pursuant to Section 4.3(g), the Regulatory Agreement, the Deed of Trust, the lien of the deeds of trust securing the Subordinate Loans and any other liens or encumbrances previously approved by Bondowner Representative in writing and the inchoate liens securing the payment of taxes and assessments not delinquent. Borrower acknowledges

that, with any project of the magnitude of the Project, modifications of the Plans and Specifications and Loan Documents may be necessary from time to time and that the existence of junior lienholders, who would be required to consent to such modifications in order to protect the priority of the lien of the Deed of Trust, could impair the expeditious completion of the Project, to the detriment of all parties.

**6.8**     Prohibition of Transfer.

(a)     Borrower represents, agrees and acknowledges that:

(i)     Development of real property is a highly complex activity which requires substantial knowledge of law and business conditions and practices, and an ability to control, coordinate and schedule the many factors affecting such development. Experience, financial stability, managerial ability and a good reputation in the business community enhance a developer's ability to obtain market rents and/or sales prices and to induce cooperation in scheduling and are taken into account by Bondowner Representative in approving loan applications.

(ii)    Borrower has represented to Bondowner Representative, not only in the representations and warranties contained in the Loan Documents, but also in its initial credit application and in all of the negotiations connected with the Loan, certain facts concerning Borrower's financial stability, managerial and operational ability, reputation, skill, and credit worthiness. Bondowner Representative has relied upon these representations and warranties as a substantial and material consideration in its decision to enter into this Loan Agreement.

(iii)    The conditions and terms provided in this Loan Agreement were induced by these representations and warranties and would not have been made available by Bondowner Representative in the absence of these representations and warranties.

(iv)    Borrower's financial stability and managerial and operational ability and that of those persons or entities having a direct or beneficial interest in Borrower are a substantial and material consideration to any third parties who have entered or will enter into agreements with Borrower.

(v)     Bondowner Representative has relied upon the skills and services offered by such third parties and the provision of such skills and services is jeopardized if Borrower breaches its covenants contained below regarding transfers.

(vi)    Except as otherwise permitted under Section 5.12 of the Deed of Trust, a transfer of possession of or title to the Property, or a change in the person or entity operating, developing, constructing or managing the Property would substantially increase the risk of Default under the Loan Documents and

significantly and materially impair and reduce Bondowner Representative's security for the obligations under this Loan Agreement.

(b) In consideration of Bondowner Representative's induced reliance on such representations, warranties and agreements, Borrower shall not make any transfer prohibited by Section 5.12 of the Deed of Trust.

(c) Without the prior written consent of Bondowner Representative, Borrower shall not assign Borrower's interest under any of the Bond Documents or Loan Documents, or in any monies due or to become due thereunder, and any assignment without such consent shall be void.

**6.9** Management of Property. In accordance with the Management Agreement, the Project Manager shall provide management, leasing and operation services for the Project. Borrower shall not substitute the Project Manager or amend the Management Agreement, without the prior written consent of Bondowner Representative.

**6.10** Income to be Applied to Debt Service. Prior to distributing any portion of the same to any partner of Borrower, Borrower shall apply all revenue derived from operation of the Property and Improvements to the payment of (a) amounts currently payable under this Loan Agreement and the other Loan Documents, (b) amounts currently payable under the Subordinate Loans, and (c) expenses of construction and operation of the Property (including any development fee, to the extent such payment of such development fee is allowed pursuant to this Loan Agreement).

**6.11** Proceeds of the Capital Contributions. Until all sums owing under the Loan Documents and Other Related Documents have been paid in full, none of the proceeds of the Capital Contributions shall be used for any purpose other than payment of (a) amounts payable under this Loan Agreement and the other Loan Documents, (b) amounts payable under the Subordinate Loans, and (c) expenses of construction and operation of the Property (including any development fee to the extent payment of such development fee is allowed pursuant to the Disbursement Schedule attached to this Loan Agreement), unless Bondowner Representative consents in writing to such other use. Further, Borrower covenants and agrees that Borrower will comply and cause General Partner to comply with all obligations and requirements under the Partnership Documents necessary to cause Investor Limited Partner to timely fund all Capital Contributions.

**6.12** Regulatory Agreement Compliance. Borrower shall provide to Bondowner Representative an annual certification of compliance with all applicable provisions of the Regulatory Agreement and Section 42 of the Code.

**6.13** Subordinate Loans. Borrower shall keep the commitment of the City to make the City Loan in full force and effect, shall timely perform all obligations of Borrower and shall satisfy all conditions contained in such commitment on or before the Maturity Date. Borrower shall deliver to Bondowner Representative copies, certified by Borrower to be true and correct, of the documents that evidence and secure the Subordinate Loans, the form and content of which shall be subject to Bondowner Representative's reasonable approval. Borrower shall at all times fully and timely comply and cause the Property and Improvements to comply with all applicable terms and conditions of the documents that evidence and secure the Subordinate



Loans and shall provide Bondowner Representative with such verification of that compliance from time to time as reasonably requested by Bondowner Representative.

**6.14 Americans With Disabilities Act Compliance.** Borrower shall comply with all of the requirements of the ADA, as amended from time to time, which are applicable to the Project. Borrower shall be responsible for all ADA compliance costs.

**6.15 ERISA Compliance.** Borrower shall at all times comply with the provisions with respect to any retirement or other employee benefit plan to which it is a party as employer, and as soon as possible after Borrower knows, or has reason to know, that any "reportable event" (as defined in ERISA) with respect to any such plan of Borrower has occurred, it shall furnish to Bondowner Representative a written statement setting forth details as to such reportable event and the action, if any, which Borrower proposes to take with respect thereto, together with a copy of the notice of such reportable event furnished to the Pension Benefit Guaranty Corporation.

**6.16 Leasing.** Borrower shall comply at all times with all requirements of the Regulatory Agreement; and all leases of all or any part of the Project shall be on a form of lease approved by Bondowner Representative prior to Borrower's execution of any such lease. All standard lease forms and any material deviation from any form, shall be approved by Bondowner Representative prior to execution of any lease using such form.

**6.17 Further Assurances.** Upon Bondowner Representative's request and at Borrower's sole cost and expense, Borrower shall execute, acknowledge and deliver any other instruments and perform any other acts necessary, desirable or proper, as determined by Bondowner Representative, to carry out the purposes of this Loan Agreement and the other Loan Documents and Bond Documents or to perfect and preserve any liens created by the Loan Documents; provided, however, that no such instruments or acts shall change the economic terms of the transactions described herein or expand the liability of the parties hereunder. In addition, upon any modification of any Loan Document or Bond Document, Borrower shall, at Borrower's sole cost and expense, deliver to Bondowner Representative, in form and content reasonably satisfactory to Bondowner Representative, a written confirmation of any subordination agreement described on Exhibit B attached hereto.

**6.18 Books and Records.** Borrower shall maintain complete books of account and other records for the Project and for disbursement and use of the proceeds of the Bonds and Borrower's Funds, and the same shall be available for inspection and copying by Bondowner Representative upon reasonable prior notice.

**6.19 Reservation Letter; Tax Credits.** Borrower shall take all action necessary to maintain the Reservation Letter in full force and effect and to obtain the Tax Credits reserved in the Reservation Letter. Borrower shall not amend, modify or terminate, or allow to lapse or expire, the Reservation Letter. Borrower shall satisfy all conditions precedent to the issuance of the Tax Credits as soon as reasonably possible and in any event prior to the date upon which the Reservation Letter (or the reservation of Tax Credits described therein) would expire or lapse. Borrower shall comply, and cause the Project to comply, with all requirements imposed by the Code or by Governmental Authorities in order to preserve the Tax Credits in the full amount provided in the Reservation Letter. Without limitation upon the foregoing, Borrower shall timely file all certifications and reports required in connection with the Tax Credits, and shall deliver copies of such certifications and reports to Bondowner Representative concurrently with the filing of the same.

**6.20** Covenant for the Benefit of the Bondholders. Borrower recognizes the authority of the Authority to assign its interest in and pledge moneys receivable under this Loan Agreement (other than the Authority's Reserved Rights) to Bondowner Representative as security for the payment of the principal of and interest and redemption premiums, if any, on the Bonds, and the payment of all other amounts as set forth in Sections 3.3 and 3.4. Borrower hereby (i) agrees to be bound by the Authority's grant of such assignment and pledge, (ii) grants to Bondowner Representative a security interest in any right and interest Borrower may have in sums held in the Funds described in Article 5 of the Indenture, to secure the obligations of Borrower under this Loan Agreement and the other Loan Documents and (iii) agrees that Bondowner Representative shall have all of the rights of a secured party under the California Uniform Commercial Code in connection with such security interest. Each of the terms and provisions of this Loan Agreement is a covenant for the use and benefit of the Bondholders and Bondowner Representative, so long as the Bonds shall remain outstanding; but upon payment in full of the Bonds in accordance with Article 7 of the Indenture and of all fees and charges requested under Sections 3.3 and 3.4, all references in this Loan Agreement to Bondowner Representative, the Bonds and the Bondholders shall be ineffective, and the Bondholders and Bondowner Representative shall thereafter have no rights hereunder, save and except those that shall have theretofore vested or that arise from provisions hereunder which survive termination of this Loan Agreement.

**6.21** Inspection and Access.

(a) Borrower agrees that the Authority, Bondowner Representative and their duly authorized agents, shall have the right to examine and inspect during normal business hours, and for that purpose to enter upon, the Property, and shall also have such right of access thereto at reasonable times and under reasonable conditions and subject to the rights of tenants in possession as may be reasonably necessary to cause the Project to be properly maintained in accordance with Article 5 and in accordance with the applicable provisions of the other Loan Documents. In each instance, the Authority, Bondowner Representative and their duly authorized agents will give Borrower reasonable notice before entering the Project premises and make reasonable efforts to avoid interfering with Borrower's use of the Property when exercising any of the rights granted in this Section.

(b) Subject to the restrictions of all applicable laws, Borrower hereby covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be necessary in order to grant to the Authority and Bondowner Representative the rights of access and entry described herein and agrees that such rights of access and entry shall not be terminated, curtailed or otherwise limited by any assignment, lease or other transfer of the Property by Borrower to any other person and subject to the rights of tenants in possession at reasonable times and under reasonable conditions.

**6.22** Annual Statement; Continuing Disclosure.

(a) Borrower covenants that as long as any amount owed by Borrower under this Loan Agreement remains unpaid, at Borrower's sole cost and expense, to furnish Bondowner Representative with annual audited operating statements and balance



sheets, which shall be prepared by an independent accounting firm with respect to Borrower, and with annual unaudited financial statements for the General Partner certified by their respective chief financial officers. Bondowner Representative shall have no responsibility to review such statements.

(b) Borrower covenants and agrees to take all actions required in order to comply with Rule 15c2-12 adopted under the Securities Exchange Act of 1934, as the same may be amended from time to time, if such compliance is required at any time while amounts outstanding under this Loan Agreement remain unpaid to effect such compliance.

#### **6.23 Indemnity.**

(a) Borrower will pay, defend, protect, indemnify and save (i) the Authority, the members of the governing bodies of the Authority, and its officers, directors, agents, attorneys, financial advisors, officials and employees and agents, and (ii) Bondowner Representative and its officers, agents and employees and any person who controls Bondowner Representative or the Authority within the meaning of the Securities Act of 1933, Bondowner Representative and each Bondholder (the "**Indemnified Parties**") from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees), causes of action (whether in contract, tort, or otherwise), suits, claims, demands and judgments of every kind, character and nature whatsoever (collectively referred to herein as the "**Liabilities**") directly or indirectly arising from or relating to the Bonds, the loan of the proceeds of the Bonds, the administration and servicing of the Loan, the construction, operation, use, occupancy, maintenance, ownership and leasing of the Project, the Deed of Trust, the Indenture, this Loan Agreement or any other document related to the issuance and sale of the Bonds, Bondowner Representative's acceptance and administration of the trusts under the Indenture, including, but not limited to, the following:

(i) any injury to or death of any person or damage to property in or upon the Project or growing out of or connected with the use, non-use, condition or occupancy of the Project or any part thereof;

(ii) violation by Borrower of any agreement or condition of this Loan Agreement or the Deed of Trust;

(iii) violation by Borrower of any contract, agreement, or restriction relating to the Project;

(iv) violation of any law, ordinance, or regulation affecting the Project, or any part thereof or the ownership, occupancy, or use thereof;

(v) the issuance and sale of the Bonds or any of them; and

(vi) any statement, information, or certificate furnished by Borrower to the Authority which is misleading, untrue, or incorrect in any respect.

(b) Borrower also agrees to indemnify and hold harmless each of the Indemnified Parties from and against the Liabilities directly or indirectly arising from or relating to (i) any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made by the Authority pertaining to the Bonds, and (ii) any fraud or misrepresentations or omissions of Borrower occurring during any proceedings of the Authority relating to the issuance of the Bonds or pertaining to the financial condition of Borrower which, if known to the Bondholders purchasing the Bonds, might be considered a factor in their decision to purchase the Bonds.

(c) Nothing in Sections 6.23(a) and 6.23(b) shall be deemed to provide indemnification to Bondowner Representative with respect to Liabilities arising from the negligence (in the case of Bondowner Representative only) or willful misconduct of Bondowner Representative.

(d) Promptly after receipt by an Indemnified Party of notice of the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such Indemnified Party will notify Borrower of the commencement of such proceeding. Such notification shall be a necessary condition precedent to indemnification hereunder, but failure to so notify Borrower will not relieve Borrower from any liability to an Indemnified Party which Borrower may have otherwise. Borrower shall assume the defense of such action or proceeding, including the employment of counsel selected by the Indemnified Party and will pay the fees and disbursements of such counsel. However, notwithstanding the foregoing, (i) if the Indemnified Party, with advice from counsel determines that (A) having common counsel to represent both Borrower and the Indemnified Party would present a conflict of interest or (B) defenses are available to such Indemnified Party which are not available to Borrower or (ii) if Borrower fails to assume the defense of the action or proceeding in a timely manner, then such Indemnified Person may employ separate counsel to represent or defend it in any such action or proceeding and Borrower will pay the reasonable fees and disbursements of such counsel. In any action or proceeding the defense of which Borrower assumes, the Indemnified Party will have the right to participate in such litigation and to retain its own counsel at such Indemnified Party's own expense. No Indemnified Party shall settle any complaint, claim, action, suit or other proceeding for which indemnification is being sought hereunder, without the prior consent of Borrower.

(e) The Indemnified Parties, other than the Authority, shall be considered to be third party beneficiaries of this indemnification agreement.

(f) Borrower's duty and obligations to defend, indemnify and hold harmless the Indemnified Parties shall survive the term of the Bonds, cancellation of the Note, the release, reconveyance or partial reconveyance of the Deed of Trust, this Loan Agreement and the resignation or removal of Bondowner Representative.

(g) The obligations of Borrower under this Section are independent of any other contractual obligation of Borrower to provide indemnity to the parties named

herein or otherwise. The obligation of Borrower to provide indemnity hereunder shall not be interpreted, construed or limited in light of any other separate indemnification obligation of Borrower, and any indemnified party shall be entitled simultaneously to seek indemnity under this Section and any other provision of any document under which it is entitled to indemnity (including, specifically, the Regulatory Agreement).

**6.24** Keeping Guarantor and Investor Limited Partner Informed. Borrower must keep Guarantor and Investor Limited Partner informed of Borrower's financial condition and business operations, the condition and all uses of the Property, including all changes in condition or use, and any and all other circumstances that might affect Borrower's ability to pay or perform its obligations under this Loan Agreement.

**6.25** Status of Borrower.

(a) Throughout the term of this Loan Agreement, Borrower will maintain its existence as a limited partnership under the laws of the State in good standing and qualified to transact business in the State and will not wind up or otherwise dispose of all or substantially all of its assets.

(b) Notwithstanding the provisions of the Deed of Trust, Borrower shall not effect a merger, consolidation or transfer if the result thereof would cause the interest on the Bonds (in the hands of any person who is not a "substantial user" of the Project or a "related person") to become includable in gross income for federal income tax purposes.

(c) Upon any change in the status of Borrower, by way of substitution, sale or otherwise of Borrower, the Authority shall be promptly informed and, if requested, Borrower as newly constituted shall deliver to the Authority and the Bondholders an instrument in form satisfactory to each of them affirming the liability of Borrower hereunder

**6.26** Filing of Financing Statements. Borrower agrees that it will, at its sole expense, file or cause to be filed, on or before June 1 of each fifth calendar year in which the Loan remains outstanding, commencing June 1, 2008 any financing statements or continuation statements required or requested by Bondowner's Representative to perfect and preserve the security interest of the Authority and Bondowner Representative in this Loan Agreement and the payments to be made hereunder, as granted in the Indenture. Borrower agrees to provide a copy of each such filing to Bondowner Representative.

**6.27** [Intentionally omitted.]

**6.28** Negative Covenants. Without Bondowner Representative's prior written consent, Borrower may not:

(a) engage in any business activities substantially different from Borrower's present business;

(b) liquidate or dissolve Borrower's business;

(c) lease (other than to tenants at the Facilities) or dispose of all or a substantial part of Borrower's business or Borrower's assets;

(d) enter into any consolidation, merger, pool, joint venture, syndicate or other combination, except as permitted by Section 5.12 of the Deed of Trust.

**6.29** Tax Status of Bonds. Borrower hereby covenants, represents and agrees as follows: (a) that Borrower will not take or permit any action to be taken that would adversely affect either the exclusion from gross income for federal income tax purposes of the interest on the Bonds and, if it should take or permit any such action, Borrower will take all lawful actions to rescind such action promptly upon having knowledge thereof; and (b) that Borrower will take such action or actions, including amending the Loan and this Loan Agreement, as determined reasonably necessary in the opinion of Bond Counsel to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under the Code. Borrower further covenants and agrees that it will direct all investments in compliance with the Code. Borrower covenants and agrees to cause to be calculated by an arbitrage consultant and pay to Bondowner Representative any amounts owing to the United States as rebatable arbitrage in accordance with the procedures set forth in the Tax Certificate and Section 6.08 of the Indenture.

**6.30** Incorporation of Tax Certificate. The covenants, representations, warranties and agreements of Borrower set forth in the Tax Certificate are incorporated by reference herein as if fully set forth herein.

**6.31** Loss of Tax Exclusion. Borrower understands that the interest rates provided under the Note and this Loan Agreement have been established on the assumption that interest paid on the Bonds will be excludable from the Bondholders' gross income under Section 103 of the Code and applicable State law. In the event that (i) Borrower receives notice from Bondowner Representative that Bondowner Representative has discovered any facts or circumstances that would cause interest paid on the Bonds not to be tax-exempt; or (ii) any Bondholder receives notice from the Internal Revenue Service or other Governmental Authority that interest payable on the Bonds is not tax-exempt, or that the Internal Revenue Service is challenging the tax-exempt status of the Bonds, then the interest rate shall be increased, both prospectively and retroactively, to a variable rate equal to the sum of the Prime Rate plus (b) three-fourths of one percent (0.75%), with (a) the rate hereunder changing concurrently with each change in the Prime Rate, and Borrower shall pay to the Bondholders promptly upon demand an amount sufficient to adjust previous payments of interest to the increased rate. Borrower shall also indemnify, defend and hold the Authority and Bondowner Representative harmless from any penalties, interest expense or other costs, including reasonable attorneys' fees (including all charges of the Authority's and Bondowner Representative's internal and tax counsel) and accountants' costs, resulting from any dispute with the Internal Revenue Service concerning the exclusion from gross income for federal income tax purposes of interest on the Bonds and the interest payable to any Bondholder on the Bonds, and upon receipt by Bondowner Representative of the amounts set forth in the foregoing indemnity, Bondowner Representative shall assign to Borrower any claims it may have against third parties for negligent acts or omissions in connection with the failure of interest on the Bonds to be excludable from gross income for federal income tax purposes. The Authority shall have the right to enter into closing agreements with the Internal Revenue Service in the Authority's sole discretion, and any liability arising under such closing agreements shall be paid by Borrower. The obligations of Borrower

under this paragraph shall survive termination of this Loan Agreement and repayment of the Loan.

**6.32** Taxes, Regulatory Costs and Reserve Percentages. Upon Bondowner Representative's demand, Borrower shall pay to Bondowner Representative, in addition to all other amounts which may be, or become, due and payable under this Loan Agreement and the other Loan Documents, any and all Taxes and Regulatory Costs, to the extent they are not internalized by calculation of a Variable Rate. Further, at Bondowner's Representative's option, the Variable Rate shall be automatically adjusted by adjusting the Reserve Percentage, as determined by Bondowner Representative in its prudent banking judgment, from the date of imposition (or subsequent date selected by Bondowner Representative) of any such Regulatory Costs. Bondowner Representative shall give Borrower notice of any Taxes and Regulatory Costs as soon as practicable after their occurrence, but Borrower shall be liable for any Taxes and Regulatory Costs regardless of whether or when notice is so given.

**6.33** Amendment of Regulatory Agreement. Borrower shall not suffer or permit to become effective any restrictions (including, without limitation, any "automatic" amendment of the Regulatory Agreement pursuant to its terms) which imposes requirements with respect to the occupancy, leasing or operation of the Project which are materially more burdensome than those contained in the Regulatory Agreement as of the date of this Loan Agreement, without first obtaining the consent of Bondowner Representative to the imposition of such restriction.

**6.34** Qualified Residential Rental Project Exempt Facility Bonds. Borrower shall assure that the proceeds of the Bonds are used in a manner such that the Bonds will satisfy the requirements of section 142(d) of the Code relating to qualified residential rental projects.

**6.35** Federal Guarantee Prohibition. Borrower shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

**6.36** Rebate Requirement. Borrower shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds. Borrower agrees to compute the amount of rebate obligation as of \_\_\_\_\_ of each year through \_\_\_\_\_ and \_\_\_\_\_ every fifth year thereafter.

**6.37** No Arbitrage. Borrower shall not take, or permit or suffer to be taken by Bondowner Representative or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

**6.38** Maintenance of Tax-Exemption. Borrower shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

**6.39** Private Activity Volume Cap. The Bonds upon issuance and delivery shall be considered "private activity bonds" within the meaning of the Code with respect to which the California Debt Limit Allocation Committee has transferred a portion of the State of California's private activity bond allocation (within the meaning of section 146 of the Code) equal to the principal amount of the Bonds .

**6.40** Limitation on Issuance Costs. Borrower covenant that, from the proceeds of the Bonds and investment earnings thereon, an amount not in excess of exceed two percent (2%) of the proceeds of the Bonds, will be used for costs of issuance of the Bonds, all within the meaning of section 147(g)(1) of the Code. For this purpose, if the fees of the original purchaser are retained as a discount on the purchase of the Bonds, such retention shall be deemed to be an expenditure of proceeds of the Bonds for said fees.

**6.41** Limitation of Expenditure of Proceeds. Borrower covenants that not less than 95 percent of the net proceeds of the Bonds (within the meaning of section 150(a)(3) of the Code) will be paid for Qualified Project Costs.

**6.42** Limitation on Land. Borrower covenant that less than twenty-five percent (25%) of the proceeds of the Bonds shall be used, directly or indirectly, for the acquisition of land.

**6.43** Existing Facilities Limit. Borrower covenants that no proceeds of the Bonds shall be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if construction expenditures (as defined in section 145(d) of the Code) with respect to such building equal or exceed 15 percent of the portion of the cost of acquiring such building (and equipment) financed with proceeds of the Bonds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if construction expenditures with respect to such structure equal or exceed 100 percent of the portion of the cost of acquiring such structure financed with the proceeds of the Bonds.

**6.44** Certain Uses Prohibited. Borrower covenant[s] that no proceeds of the Bonds shall be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Bonds shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimus amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

## **ARTICLE VII.**

### **INSURANCE**

Borrower shall, while any obligation of Borrower or Guarantor under any Loan Document remains outstanding, maintain at Borrower's sole expense, with licensed insurers approved by Bondowner Representative, the following policies of insurance in form and substance satisfactory and with deductible amounts satisfactory to Bondowner Representative:

**7.1** Title Insurance. Delivery of the Title Policy is required pursuant to Section 4.1(d). During the term of the Loan, Borrower shall deliver to Bondowner Representative, within five (5) days of Bondowner Representative's written request, such endorsements to the Title Policy as Bondowner Representative may require.

**7.2** Property Insurance. During the course of construction of the Project, a builder's risk completed value hazard insurance policy in the full replacement cost of the Improvements, including, without limitation, such endorsements as Bondowner Representative may require, insuring Bondowner Representative against damage to the Property and Project in an amount accepted to Bondowner Representative. With respect to all completed Improvements,

a policy of "all risk" comprehensive fire and casualty insurance in the full replacement cost of the Improvements, with agreed value and such other endorsements as Bondowner Representative may require, and policy of rental interruption insurance covering a period of not less than twelve (12) months. Policies required pursuant to this Section 7.2 shall insure against loss from such risks, losses or hazards as Bondowner Representative may from time to time require, including riot, civil commotion, vandalism, malicious mischief, terrorism, earthquake and earth movement.

**7.3** Flood Hazard Insurance. A policy of flood insurance, as required by applicable governmental regulations, or as deemed necessary by Bondowner Representative.

**7.4** Liability Insurance. A policy of comprehensive general liability insurance with limits as required by Bondowner Representative, insuring against liability for injury and/or death to any person and/or damage to any property occurring on the Property and/or in the Project from any cause whatsoever naming Bondowner Representative as an additional insured party.

**7.5** General. Borrower shall provide to Bondowner Representative the originals of all required insurance policies, or other evidence of insurance acceptable to Bondowner Representative. All insurance policies shall provide that the insurance shall not be cancelable or materially changed without ten (10) days prior written notice to Bondowner Representative. The Authority, Bondowner Representative and Bondowner Representative shall be named under a Mortgagee's Loss Payable Endorsement (Form #438BFU or equivalent) on all casualty insurance policies which Borrower actually maintains with respect to the Property and Project. Borrower shall provide to Bondowner Representative evidence of any other hazard insurance Bondowner Representative may deem necessary at any time during the term of the Loan.

## **ARTICLE VIII.**

### **REPRESENTATIONS AND WARRANTIES OF AUTHORITY AND BORROWER**

**8.1** Representations and Warranties of the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a public body corporate and politic existing under and by virtue of its charter and the laws of the State, and is authorized to issue the Bonds to finance a portion of the cost of the Project pursuant to the Act.

(b) The Authority has lawful power and authority under the Act to enter into this Loan Agreement and the Indenture and to carry out its obligations hereunder and under the Indenture. By proper action of its governing body, the Authority has been duly authorized to execute and deliver this Loan Agreement, acting by and through its duly authorized officers. The Indenture and this Loan Agreement have been duly executed by the Authority and, assuming due execution by all other parties thereto, each constitutes a valid, legal, binding and enforceable obligation of the Authority (subject to bankruptcy, insolvency or creditors' rights laws, principles of equity and the limitations of remedies against governmental agencies within the State) without offset, defense or counterclaim. The execution, delivery and performance of the Indenture and this Loan Agreement by the Authority will not violate any material provision of any law, regulation, order or decree of any Governmental Authority and all consents, approvals, authorizations, orders or filings of or with any State court or governmental agency or body, if any, required for the execution, delivery and performance of such documents by the Authority have been obtained or made.



(c) The Authority has not received notice of any pending or threatened action, suit or proceeding, arbitration or governmental investigation against the Authority, an adverse outcome of which would materially affect the Authority's performance under the Indenture and this Loan Agreement.

(d) The execution, delivery and performance of the Indenture and this Loan Agreement by the Authority will not cause or constitute a material default under or materially conflict with its organizational documents or other agreements to which it is a party or otherwise materially adversely affect performance of the duties of the Authority under such organizational documents or other agreements.

**8.2** Representations and Warranties of Borrower. Borrower makes the following representations and warranties:

(a) Authority/Enforceability. Borrower is in compliance with all laws and regulations applicable to its organization, existence and transaction of business and has all necessary rights and powers to own and develop the Project as contemplated by the Loan Documents.

(b) Binding Obligations. Borrower is authorized to execute, deliver and perform its obligations under the Loan Documents, and such obligations shall be valid and binding obligations of Borrower.

(c) Formation and Organizational Documents. Borrower has delivered to Bondowner Representative all formation and organizational documents of Borrower, of the partners, joint venturers or members of Borrower, if any, and of Guarantor and all such formation and organizational documents remain in full force and effect and have not been amended or modified since they were delivered to Bondowner Representative. Borrower shall immediately provide Bondowner Representative with copies of any amendments or modifications of the formation or organizational documents.

(d) No Violation. Borrower's execution, delivery, and performance under the Loan Documents do not: (a) require any consent or approval not heretofore obtained under any partnership agreement, operating agreement, articles of incorporation, bylaws or other document; (b) violate any governmental requirement applicable to the Project or any other statute, law, regulation or ordinance or any order or ruling of any court or Governmental Authority; (c) conflict with, or constitute a breach or default or permit the acceleration of obligations under any agreement, contract, lease, or other document by which Borrower or the Project is bound or regulated; or (d) violate any statute, law, regulation or ordinance, or any order of any court or Governmental Authority.

(e) Compliance With Laws. Borrower has, and at all times shall have obtained, all permits, licenses, exemptions, and approvals necessary to construct, occupy, operate and lease the Project, and shall maintain compliance with all governmental requirements applicable to the Project and all other applicable statutes, laws, regulations and ordinances necessary for the transaction of its business.



(f) Litigation. Except as disclosed to Bondowner Representative and the Authority in writing, there are no claims, actions, investigations, suits, or proceedings pending, or to Borrower's knowledge threatened, against Borrower or affecting the Project or affecting Borrower's execution, delivery, validity and performance under this Loan Agreement, the other Loan Documents or the Indenture or challenging the validity of the Bonds.

(g) Financial Condition. All financial statements and information heretofore delivered to Bondowner Representative by Borrower, including, without limitation, information relating to the financial condition of Borrower, the Project, the partners, joint venturers or members of Borrower, and/or Guarantor, fairly and accurately represent the financial condition of the subject thereof and have been prepared (except as noted therein) in accordance with generally accepted accounting principles consistently applied. Borrower acknowledges and agrees that Bondowner Representative may request and obtain additional information from third parties regarding any of the above, including, without limitation, credit reports.

(h) No Material Adverse Change. There has been no material adverse change in the financial condition of Borrower and/or Guarantor and/or the General Partner since the dates of the latest financial statements furnished to Bondowner Representative and, except as otherwise disclosed to Bondowner Representative in writing, Borrower has not entered into any material transaction which is not disclosed in such financial statements.

(i) Proceeds of the Bonds and Adequacy. The undisbursed proceeds of the Bonds, together with the proceeds of the Subordinated Loans and Capital Contributions are sufficient to construct the Project in accordance with the terms and conditions of this Loan Agreement and the other Loan Documents.

(j) Accuracy. All reports, documents, instruments, information and forms of evidence delivered to Bondowner Representative by Borrower concerning the Loan or security for the Loan or required by the Loan Documents are accurate, correct and complete and give Bondowner Representative true, accurate and complete knowledge of their subject matter and do not contain any material misrepresentation or omission.

(k) Tax Liability. Borrower has filed all required federal, state, county and municipal tax returns and has paid all taxes and assessments owed and payable, and Borrower has no knowledge of any basis for any additional payment with respect to any such taxes and assessments.

(l) Utilities. All utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the development and occupancy of the Project are available at or within the boundaries of the Property, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Project.

(m) Compliance. Borrower is familiar with and in compliance with all governmental requirements for the development of the Property and will conform to and comply with all governmental requirements and the Plans and Specifications.

(n) Americans With Disabilities Act Compliance. To the extent required by applicable law, the Project has been designed and shall be constructed and completed, and thereafter maintained, in strict accordance and full compliance with all of the requirements of the ADA, as amended from time to time.

(o) Tax Credits. Borrower has received a Tax Exempt Reservation Letter ("**Reservation Letter**") dated \_\_\_\_\_, for, and Borrower is entitled to, an allocation of Tax Credits for the Project from TCAC. The Tax Credit allocation to be granted pursuant to the Reservation Letter are for Federal Tax Credits in the amount of \$\_\_\_\_\_, annually for each of ten (10) years. Borrower shall completely and in a timely manner perform all actions and meet all requirements to maintain and perfect the reservation and Tax Credit allocation, including: (a) timely furnishing to TCAC all of the items required to be furnished to it in order to prevent the expiration of the reservation; and (b) placing the Project in service within the time period prescribed by the Code. If Bondowner Representative determines, in its sole and absolute discretion, that Borrower will not meet the TCAC requirement to place the project "in service" as set forth in the Reservation Letter, Borrower hereby agrees to reapply for the next available allocation of Tax Credits within all time limits and requirements as established by TCAC. Failure to do so is a Default pursuant to Section 17.

(p) Bond-Related Representations.

(i) In addition to the Bonds, no other obligations have been or are expected to be issued under Section 103 of the Code for sale at substantially the same time as the Bonds are sold pursuant to a common plan of marketing and at substantially the same rate of interest as the Bonds and which are payable in whole or part by Borrower or otherwise have with the Bonds any common or pooled security for the payment of debt service thereon, or which are otherwise treated as the same "issue of obligations" as the Bonds as described in Revenue Ruling No. 81-216.

(ii) Borrower is not in the trade or business of selling properties such as the Project and has acquired the Project for investment purposes only or otherwise for use by Borrower in its trade or business, and therefore Borrower has no present intention to voluntarily sell, surrender or otherwise transfer, in whole or part, its interest in the Project in the foreseeable future.

(iii) Borrower has reviewed and approved the provisions of the Indenture.

(iv) To the best of Borrower's knowledge, no member of the governing body of the Authority or any other officer of the Authority has any significant or conflicting interest, financial, employment or otherwise, in Borrower, the Project or the transactions contemplated hereby.

(v) The covenants, representations and warranties of Borrower in the Regulatory Agreement are true and correct as of the date hereof and are incorporated herein by reference and made a part of this Loan Agreement.

(vi) Borrower has not entered into the transaction evidenced hereby with the actual intent to hinder, delay or defraud any creditor and Borrower has received reasonably equivalent value in exchange for its obligations hereunder and under the Deed of Trust and the Regulatory Agreement.

(vii) Borrower has no known material contingent liabilities.

(viii) Borrower has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Borrower is a party or by which Borrower or the Project are otherwise bound, other than (a) obligations under this Loan Agreement and the other Loan Documents to which Borrower is a party; (b) the Subordinate Loans; and (c) obligations which may be incurred by Borrower from time to time in the ordinary course of business.

(ix) Borrower has not borrowed or received other debt financing that has not been heretofore repaid in full, except for (a) the Subordinate Loans and (b) equipment financing relating to laundry facilities on the Property.

(x) Borrower is not (a) an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended; (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (c) subject to any other federal or state law or regulation which purports to restrict its ability to borrow money other than Article 15 of the California State Constitution.

(xi) Except as disclosed in the Title Policy, there are no pending or, to the knowledge of Borrower, proposed special or other assessments for public improvements affecting the Project, nor, to the knowledge of Borrower, are there any contemplated improvements to the Property that may result in such special or other assessments.

(xii) No statement of fact made by Borrower herein or in the Loan Documents to which Borrower is a party contains any untrue statement of a material fact or omits to state any material fact necessary to make statements made by Borrower herein or therein not misleading. There is no fact presently known to Borrower which has not been disclosed which adversely affects or, to the best of Borrower's knowledge, would adversely affect the business, operations or conditions (financial or otherwise) of Borrower.

(xiii) All reports, documents, instruments, information and forms of evidence delivered to Bondowner Representative by Borrower concerning the

Loan or required by the Loan Documents are (or, in the case of materials prepared by persons other than Borrower or its partners or Investor Limited Partner, are to the best of Borrower's knowledge) accurate, correct and sufficiently complete to give Bondowner Representative true and accurate knowledge of their subject matter.

(xiv) Borrower owns directly, and not through any affiliated entity, all of the personal property and fixtures necessary for the operation of the Property for the uses presently being conducted thereon.

(xv) Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended from time to time.

(xvi) Before Guarantor became obligated in connection with the Loan, Borrower made full disclosure to Guarantor and Investor Limited Partner regarding Borrower's financial condition and business operations, the present and former condition, uses and ownership of the Property and all other circumstances bearing upon Borrower's ability to pay and perform its obligations under the Loan Documents.

### **8.3** General Tax Representations, Warranties and Covenants of Borrower.

Borrower further represents, warrants and covenants as follows:

(a) Borrower will use and operate the Project in a manner consistent with the Regulatory Agreement and will use and operate the Project in accordance with the terms of the Regulatory Agreement until the date on which the Qualified Project Period terminates. If in the future there is a cessation of that operation, Borrower will use its best efforts to resume that operation or accomplish an alternate use by Borrower or others which will be consistent with the Act and the tax-exempt status of the Bonds.

(b) The weighted average maturity of the Bonds, calculated in accordance with the requirements of Section 147(b) of the Code, is less than 120% of the reasonably expected economic life of the Project.

(c) No proceeds of the Bonds which are loaned to Borrower shall subsequently be invested in federally insured deposits or accounts by Borrower except as part of a bona fide debt service fund or a reasonably required reserve fund.

(d) Borrower covenants and agrees that it will not use or permit the use of any of the funds provided by the Authority hereunder or any other funds of Borrower, directly or indirectly, in such manner as would, or enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Bonds that would, or take or omit to take any other action that would, to the knowledge of Borrower, cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(e) In the event that at any time Borrower is of the opinion or is otherwise aware that for purposes of this Section 8.3 or Section 6.08 of the Indenture it is necessary to restrict or to limit the yield on the investment of any moneys held by, or on behalf of, the Authority under the Indenture, Borrower shall obtain an opinion of Bond Counsel, which shall determine the limitations and so instruct and direct in writing the Authority to take such actions as Borrower believes are necessary in order to comply with these limitations under the Indenture.

(f) Notwithstanding any provisions of this Section 8.3, if Borrower shall provide to the Authority an opinion of Bond Counsel that any specified action required under this Section 8.3 is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the Authority and Borrower may conclusively rely on such opinion in complying with the requirements of this Section 8.3 and be protected in so doing, and the covenants hereunder shall be deemed to be modified to that extent.

(g) Borrower further agrees that it shall not discriminate on the basis of race, religion, creed, color, ethnic group identification, sex, source of income (e.g., AFDC, SSI), mental or physical disability, age, national origin or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation and management of the Project.

(h) Borrower further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions hereof, of the Indenture and of the Regulatory Agreement, and that in any event, the requirements of this Loan Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations herein and therein set forth and supersede any other requirements in conflict herewith and therewith.

(i) Not less than 95% of the proceeds of the Bonds will be expended for Qualified Project Costs.

(j) Neither Borrower, Guarantor, any non-borrower trustor, nor any subsidiary of any of the foregoing intends to treat the Loan or the transactions contemplated by this Loan Agreement and the other Loan Documents as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). If Borrower, or any other party to the Loan determines to take any action inconsistent with such intention, Borrower will promptly notify Bondowner Representative thereof. If Borrower so notifies Bondowner Representative, Borrower acknowledges Bondowner Representative may treat its Loan as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and Bondowner Representative will maintain the lists and other records, including the identity of the applicable party to the Loan as required by such Treasury Regulation.

**8.4** Tax Exemption; Regulatory Agreement. Borrower (and with respect to Sections 8.4(a), (b) and (c), the Authority) hereby covenants, represents and agrees as follows:

(a) not to take or omit to take any action with respect to this Loan Agreement or the Project (solely with respect to Borrower) that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds (so long as the Bonds are not owned by a person or entity which is a "substantial user" of the Property);

(b) to take such action or actions, including amendment of the Regulatory Agreement, as may be necessary in the opinion of Bond Counsel, to preserve or perfect the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(c) to file of record such documents and take such other steps as are necessary in order to insure that the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement in the real property records of Los Angeles County, California;

(d) to include the requirements and restrictions contained in the Regulatory Agreement in any deed or other document transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee so to abide; and

(e) to provide to the Authority notice of any action (other than actions in its ordinary course of business) which impacts the Authority's rights hereunder or under the Regulatory Agreement.

**8.5** Representations of Borrower as Single Purpose Entity.

(a) Borrower covenants and agrees that it shall not:

(i) (1) except for the Subordinate Loans, incur, create or assume any indebtedness for borrowed money except indebtedness represented by an invoice, statement of account, check, work request, purchase order or other similar document representing expenses relating to activities of Borrower undertaken in accordance with its formation documents or (2) transfer or lease the Project or any interest therein, except as permitted under Section 6.8;

(ii) engage, directly or indirectly, in any business other than that arising out of or entering into this Loan Agreement and the other Loan Documents to which Borrower is a party and the ownership, management, leasing, construction, development, operation and maintenance of the Project;

(iii) commingle its assets with the assets of any other entity;

(iv) partition the Property except as expressly permitted under the Deed of Trust; or

(v) voluntarily file or consent to the filing of a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceeding under any federal or state bankruptcy, insolvency, reorganization or other similar law, without the unanimous consent of its partners.

Borrower represents and warrants that as the date hereof it does not have any indebtedness or obligations which would cause it to be in violation of the foregoing covenants.

Further, Borrower covenants that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, will not engage in, seek or consent to any dissolution, winding up, liquidation, consolidation, merger or asset sale; will not materially modify its agreement of limited partnership without the prior written consent of Bondowner Representative (it being understood that Bondowner Representative's consent may be granted or withheld as to transfers of partnership interests in a manner consistent with Section 5.12 of the Deed of Trust, may be withheld as to any amendment which reduces the obligations of the partners to contribute funds to Borrower below amounts necessary to maintain the Financial Requirements Analysis "in balance", and shall not otherwise be unreasonably withheld); will pay all expenses of the Project from assets of Borrower; will maintain separate books and records and bank accounts; will at all times hold itself out to the public as a separate and distinct legal entity (including in its leasing activities, in entering into any contract and in preparing its financial statements); will file its own tax returns; and will cause its management to meet regularly to carry on its business.

(b) Borrower shall do all things necessary to preserve and keep in full force and effect its existence, rights and privileges under the laws of the State and its right to own property or transact business in the State. Borrower further represents and warrants that it is, and, so long as any portion of the Loan shall remain unpaid, shall do all things necessary to continue to be, an entity which is formed or organized solely for the purpose of holding, directly, an ownership interest in the Project, does not engage in any business unrelated to such properties and the financing thereof, does not have any assets other than those related to its interest in the properties or the financing thereof or any indebtedness other than as permitted by the Deed of Trust or the other Loan Documents, has its own separate books and records and its own accounts, in each case which are separate and apart from the books and records and accounts of any other entity and will maintain the same as official records, holds itself out as being an entity, separate and apart from any other entity and will conduct its business in its own name.

(c) Borrower will not fail to correct any known misunderstanding regarding the separate identity of Borrower.

(d) Borrower will not assume or guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of any other entity; will allocate fairly and reasonably any overhead for shared office space; will not pledge its assets for the benefit of any other person or entity; will not make loans to any person or entity; will not enter into or be a party to any transaction with its partners or affiliates except (a) pursuant to its Partnership Documents as they exist as of the date of this Loan Agreement or (b) in the ordinary course of business and on terms which are no less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party.

Any firm, corporation or partnership which can make the representations and warranties and satisfy the covenants set forth in this Section 8.5 shall constitute a "**Single Purpose Entity**."

## ARTICLE IX.

### HAZARDOUS MATERIALS

**9.1** Special Representations and Warranties. Without in any way limiting the other representations and warranties set forth in this Loan Agreement, and after reasonable investigation and inquiry, Borrower hereby specially represents and warrants to the best of Borrower's knowledge as of the date of this Loan Agreement as follows:

(a) Hazardous Materials. Except as previously disclosed to Bondowner Representative in (i) that certain Phase I Environmental Assessment prepared by \_\_\_\_\_ and dated \_\_\_\_\_, and (ii) that certain Asbestos Survey Reported prepared by \_\_\_\_\_ and dated \_\_\_\_\_, the Property and Project are not and have not been a site for the use, generation, manufacture, storage, treatment, release, threatened release, discharge, disposal, transportation or presence of any oil, flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, hazardous wastes, toxic or contaminated substances or similar materials, including, without limitation, any substances which are "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under the Hazardous Materials Laws, as described below, and/or other applicable environmental laws, ordinances and regulations (collectively, the "**Hazardous Materials**"). "Hazardous Materials" shall not include materials used in the ordinary course of construction and/or operation of the Property and Project which are used and stored in accordance with all applicable environmental laws, ordinances and regulations.

(b) Hazardous Materials Laws. The Property and Project are in compliance with all laws, ordinances and regulations relating to Hazardous Materials ("**Hazardous Materials Laws**"), including, without limitation: the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901 et seq.; the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986, "**CERCLA**"), 42 U.S.C. Section 9601 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq.; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq.; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801 et seq.; the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300f et seq.; and all comparable state and local laws, laws of other jurisdictions or orders and regulations.

(c) Hazardous Materials Claims. There are no claims or actions ("**Hazardous Materials Claims**") pending or threatened against Borrower, the Property or Project by any governmental entity or agency or by any other person or entity relating to Hazardous Materials or pursuant to the Hazardous Materials Laws.

(d) Border Zone Property. The Property has not been designated as Border Zone Property under the provisions of California Health and Safety Code,



Sections 25220 et seq. and there has been no occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be designated as Border Zone Property.

**9.2** Hazardous Materials Covenants. Borrower agrees as follows:

(a) No Hazardous Activities. Borrower shall not cause or permit the Project to be used as a site for the use, generation, manufacture, storage, treatment, release, discharge, disposal, transportation or presence of any Hazardous Materials.

(b) Compliance. Borrower shall comply and cause the Project to comply with all Hazardous Materials Laws.

(c) Notices. Borrower shall immediately notify Bondowner Representative in writing of: (i) the discovery of any Hazardous Materials on, under or about the Project; (ii) any knowledge by Borrower that the Project do not comply with any Hazardous Materials Laws; (iii) any Hazardous Materials Claims; and (iv) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be designated as Border Zone Property.

(d) Remedial Action. In response to the presence of any Hazardous Materials on, under or about the Project, Borrower shall immediately take, at Borrower's sole expense, all remedial action required by any Hazardous Materials Laws or any judgment, consent decree, settlement or compromise in respect to any Hazardous Materials Claims.

**9.3** Inspection By Bondowner Representative. Upon reasonable prior notice to Borrower, Bondowner Representative, its employees and agents, may from time to time (whether before or after the commencement of a nonjudicial or judicial foreclosure proceeding) enter and inspect the Project for the purpose of determining the existence, location, nature and magnitude of any past or present release or threatened release of an hazardous substance into, onto, beneath or from the Project.

**9.4** Hazardous Materials Indemnity. Borrower hereby agrees to defend, indemnify and hold harmless the Authority and Bondowner Representative, their governing bodies, directors, officers, employees, agents, successors and assigns from and against any and all losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including, without limitation, attorneys' fees and expenses) which the Authority and Bondowner Representative may incur as a direct or indirect consequence of the use, generation, manufacture, storage, disposal, threatened disposal, transportation or presence of Hazardous Materials in, on, under or about the Project. Borrower shall immediately pay to the Authority and Bondowner Representative upon demand any amounts owing under this indemnity, together with interest from the date the indebtedness arises until paid at the rate of interest applicable to the principal balance of the Note. BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD HARMLESS BONDOWNER REPRESENTATIVE SHALL SURVIVE THE CANCELLATION OF THE NOTE AND THE RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST.

**9.5** Legal Effect of Section. Borrower and Bondowner Representative agree that: (a) this Article is intended as Bondowner Representative's written request for information (and Borrower's response) concerning the environmental condition of the real property security as required by California Code of Civil Procedure § 726.5; and (b) each provision in this Article (together with any indemnity applicable to a breach of any such provision) with respect to the environmental condition of the real property security is intended by Bondowner Representative and Borrower to be an "environmental provision" for purposes of California Code of Civil Procedure § 736, and as such it is expressly understood that Borrower's duty to indemnify Bondowner Representative hereunder shall survive: (i) any judicial or non-judicial foreclosure under the Deed of Trust, or transfer of the Property in lieu thereof; (ii) the release and reconveyance or cancellation of the Deed of Trust; and (iii) the satisfaction of all of Borrower's obligations under the Loan Documents.

## **ARTICLE X.**

### **SET ASIDE LETTERS**

**10.1** Set Aside Letters. Bondowner Representative shall have no obligation to issue any letter or letters ("**Set Aside Letter**") to any governmental agency or bonding company whereby Bondowner Representative agrees to allocate Loan proceeds for the construction of off-site, common area, or other Project required by any governmental agency or for which bonds may be required in connection with the development of the Property. If Bondowner Representative agrees, in its sole discretion, to issue a Set Aside Letter, Bondowner Representative may condition the issuance of such Set Aside Letter upon payment of such fee and delivery of such indemnification as Bondowner Representative shall require.

## **ARTICLE XI.**

### **REPORTING COVENANTS**

**11.1** Financial Information. Borrower shall deliver to Bondowner Representative, as soon as available, but in no event later than one hundred twenty (120) days after Borrower's fiscal year end, a current financial statement (including, without limitation, an income and expense statement and balance sheet) signed by authorized representative of Borrower together with any other financial information including, without limitation, annual financial statements, cash flow projections and operating statements requested by Bondowner Representative for the following persons and entities: Borrower, General Partner and Guarantor. Within thirty (30) days of Bondowner Representative's request, Borrower shall also deliver to Bondowner Representative such quarterly and other financial information regarding any persons or entities in any way obligated on the Loan as Bondowner Representative may specify. If audited financial information is prepared, Borrower shall deliver to Bondowner Representative copies of that information within fifteen (15) days of its final preparation. Except as otherwise agreed to by Bondowner Representative, all such financial information shall be prepared in accordance with generally accepted accounting principles consistently applied. After completion of construction of the Project, Borrower shall also deliver to Bondowner Representative a rent roll for the Project, in form and level of detail reasonably acceptable to Bondowner Representative. Such rent roll shall be delivered monthly, within fifteen (15) days after the end of each month, until such time as 95% of the units in the project are occupied, and quarterly, within fifteen (15) days after the end of each calendar quarter thereafter.

**11.2** Books and Records. Borrower shall maintain complete books of account and other records for the Project and for disbursement and use of the proceeds of the Loan and

Borrower's Funds, and the same shall be available for inspection and copying by Bondowner Representative upon reasonable prior notice.

**11.3 Leasing Reports.** Within ten (10) days after the end of each calendar month, Borrower shall deliver to Bondowner Representative a rent roll for the Project as of the end of the previous month in form and substance acceptable to Bondowner Representative. Within ten (10) days of Bondowner Representative's request, Borrower shall deliver such other information with respect to the Project or the leasing thereof as Bondowner Representative shall reasonably request.

**11.4 Operating Statements For Property and Project.** After completion of construction of the Project and until such time as the Note is paid in full, Borrower shall deliver to Bondowner Representative on the fifteenth (15th) day of each month an "**Operating Statement**" which shows in detail the amounts and sources of Gross Operating Income received by or on behalf of Borrower and the amounts and purposes of Permitted Operating Expenses paid by or on behalf of Borrower with respect to the Property and Project for the previous month.

(a) "**Gross Operating Income**" for this purpose shall mean the sum of any and all amounts, payments, fees, rentals, additional rentals, expense reimbursements (including, without limitation, all reimbursements by tenants, lessees, licensees and other users of the Project) discounts or credits to Borrower, income, interest and other monies directly or indirectly received by or on behalf of or credited to Borrower from any person with respect to Borrower's ownership, use, development, operations, leasing, franchising, marketing or licensing of the Project. Gross Operating Income shall be computed on a cash basis and shall include for each monthly statement all amounts actually received in such month whether or not such amounts are attributable to a charge arising in such month.

(b) "**Permitted Operating Expenses**" shall mean the following expenses to the extent that such expenses are reasonable in amount and customary for properties of this type: (i) taxes and assessments imposed upon the Project to the extent that such taxes and assessments are required to be paid by Borrower and are actually paid or reserved for by Borrower; (ii) bond assessments; (iii) insurance premiums for casualty insurance (including, without limitation, earthquake) and liability insurance carried in connection with the Project, provided, however, if any, insurance is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this subparagraph shall be the premium fairly allocable to the Project; (iv) operating expenses incurred by Borrower for the management, operation, cleaning, leasing, maintenance and repair of the Project. Permitted Operating Expenses shall not include any interest or principal payments on the Loan or any allowance for depreciation.

## **ARTICLE XII.**

### **LEASES**

#### **12.1 Use of the Project; Leases.**

(a) Borrower shall operate the Project in accordance with the requirements of the Regulatory Agreement.

(b) Borrower shall lease units within the Project only pursuant to a form of lease which has been approved by Bondowner Representative.

### **ARTICLE XIII.**

#### **DAMAGE, DESTRUCTION AND CONDEMNATION**

**13.1** Damage and Destruction. If the Bonds are outstanding when the Project is damaged or destroyed by fire or other casualty, Borrower shall restore the Project if the conditions contained in Section 5.6 of the Deed of Trust are satisfied; otherwise, Borrower shall use any proceeds received in respect of such casualty to prepay the Loan in whole or in part.

**13.2** Condemnation. If the Bonds are outstanding when the Project or any part thereof is taken by condemnation or eminent domain or by grant of the Property in lieu thereof ("**Condemnation**"), Borrower shall restore the Project if the conditions contained in Section 5.6 of the Deed of Trust are satisfied; otherwise Borrower shall use any proceeds received in respect of such Condemnation to prepay the Loan in whole or in part or take such other action, as is required or permitted by the Deed of Trust and the other Loan Documents.

**13.3** Parties To Give Notice. In the case of material damage to or destruction of all or any part of the Project, Borrower shall give prompt notice thereof to the Authority and Bondowner Representative in the manner prescribed by Section 18.4. In the case of a taking or proposed taking of all or any part of the Project by Condemnation, the party hereto upon which notice of such taking or proposed taking is served shall give prompt notice thereof to the Authority, Bondowner Representative and Bondowner Representative in the manner prescribed by Section 18.4. Any such notice shall describe generally the nature and extent of such damage, destruction, taking or proposed taking.

**13.4** Conditions to Disbursement of Proceeds. If all of the conditions contained in Section 5.6 of the Deed of Trust are satisfied proceeds held by Bondowner Representative and funds in Borrower's Funds Account shall be disbursed subject to the consent of Bondowner Representative, in the same manner and subject to the same conditions (subject to adjustment to reflect the different nature of construction) as applied with respect to the initial disbursement of the Loan.

### **ARTICLE XIV.**

#### **INTENTIONALLY OMITTED**

### **ARTICLE XV.**

#### **TERMINATION**

**15.1** Termination of Loan Agreement; Required Prepayment.

(a) Except during the continuance of a Default, Borrower shall have the option of terminating this Loan Agreement if (i) the Bonds have been paid in full or if provision is otherwise made for payment of the Bonds in such manner that the Indenture will be discharged under Article 7 thereof on or before the date of termination, (ii) such prepayment and termination is allowed by the Deed of Trust, (iii) Borrower provides Bondowner Representative and the Authority with an opinion of Bond Counsel to the effect that all such conditions have been satisfied; and provided that this Loan Agreement may not be terminated unless and until (x) all of Borrower's obligations under the Loan

Documents have been satisfied and (y) all of Borrower's obligations with respect to the Authority's fees and any rebate obligation have been satisfied and Borrower has so certified to the Authority and Bondowner Representative. All obligations of Borrower under Sections 3.3, 3.4, 6.23, 6.31, 9.4, 17.5 and 18.32 shall survive termination.

(b) Notwithstanding the foregoing, Borrower may not terminate this Loan Agreement unless and until Bondowner Representative has on deposit an amount equal to the sum of the following:

(i) Funds on deposit in any of the Funds established under Article 5 of the Indenture and available for that purpose which are sufficient to discharge the Indenture in accordance with Article 7 thereof; plus

(ii) to the extent not paid under subsection (a) above, an amount equal to Bondowner Representative's and Authority's fees and expenses under the Indenture and any other amounts due under Sections 6.23, 6.31, 9.4, 17.5 and 18.32, accrued and to accrue until the Bonds are fully paid and redeemed and all other advances, fees, costs and expenses reasonably incurred and to be incurred on or before the termination date by Bondowner Representative under the Indenture and by the Authority and Bondowner Representative under this Loan Agreement and/or the other Loan Documents.

(c) On the termination date, a closing shall be held at any office mutually agreed upon among the Authority, Borrower and Bondowner Representative (which closing may be conducted by first-class mail or recognized overnight delivery service). At the closing the Authority and Bondowner Representative shall, upon acknowledgment of receipt of the sum set forth in subsection (2) above, execute and deliver to Borrower such release and other instruments as Borrower reasonably determines is necessary to terminate this Loan Agreement. All further obligations of Borrower hereunder (except as specifically provided in Sections 3.3, 3.4, 6.23, 6.31, 9.4, 17.5 and 18.32) shall thereupon terminate, provided, however, that Borrower shall also remain obligated to pay or reimburse the Authority and Bondowner Representative for the payment of all other fees, costs and expenses unaccounted for in the sum paid in accordance with subsection (b)(ii) above and reasonably incurred before or subsequent to such closing in connection with the Bonds.

## **ARTICLE XVI.**

### **INTENTIONALLY OMITTED**

## **ARTICLE XVII.**

### **DEFAULT AND REMEDIES**

**17.1** Default. The occurrence of any one or more of the following shall constitute an event of default (hereinafter, "**Default**") under this Loan Agreement and the other Loan Documents:

(a) Monetary. Borrower's failure to pay when due any sums payable under the Note or any of the other Loan Documents or Borrower's failure to deposit any

Borrower's Funds as and when required under this Loan Agreement, subject to all applicable notice and cure periods; or

(b) Performance of Obligations. Borrower's failure to perform any obligation under any of the Loan Documents other than obligations in other subparagraphs of this Section 17.1, within thirty (30) days after written notice to Borrower from Bondowner Representative requesting that Borrower cure such failure; provided, however, that if a cure period is provided for the remedy of such failure, Borrower's failure to perform will not constitute a Default until such date as the specified cure period expires; or

(c) Construction; Use. (i) There is any material deviation in the work of construction from the Plans and Specifications or governmental requirements or the appearance or use of defective workmanship or materials in rehabilitating the Project, and Borrower fails to remedy the same to Bondowner Representative's satisfaction within thirty (30) days of Bondowner Representative's written demand to do so; or (ii) there is a cessation of construction of the Project prior to completion for a continuous period of more than fifteen (15) days (except as caused by an event of force majeure for which a longer delay may be permitted under Article 5); or (iii) the construction, sale or leasing of any of the Project in accordance with the Loan Documents is prohibited, enjoined or delayed for a continuous period of more than thirty (30) days; or (iv) utilities or other public services necessary for the full occupancy and utilization of the Project are curtailed for a continuous period of more than thirty (30) days; or

(d) Liens, Attachment; Condemnation. (i) The recording of any claim of lien against the Property or Project or the service on Bondowner Representative of any bonded stop notice relating to the Loan and the continuance of such claim of lien or bonded stop notice for twenty (20) days without discharge, satisfaction or provision for payment being made by Borrower in a manner satisfactory to Bondowner Representative; or (ii) the condemnation, seizure or appropriation of, or occurrence of an uninsured casualty with respect to any material portion of the Project; or (iii) the sequestration or attachment of, or any levy or execution upon any part of the Project, any other collateral provided by Borrower under any of the Loan Documents, any monies in Borrower's Funds Account, or any substantial portion of the other assets of Borrower, which sequestration, attachment, levy or execution is not released, expunged or dismissed prior to the earlier of thirty (30) days or the sale of the assets affected thereby; or

(e) Representations and Warranties. (i) The failure of any representation or warranty of Borrower in any of the Loan Documents and the continuation of such failure for more than thirty (30) days after written notice to Borrower from Bondowner Representative requesting that Borrower cure such failure; or (ii) any material adverse change in the financial condition of Borrower or any other person or entity in any manner obligated to Bondowner Representative under the Loan Documents from the financial condition represented to Bondowner Representative as of the Effective Date; or

(f) Voluntary Bankruptcy; Insolvency; Dissolution. (i) The filing of a petition by Borrower for relief under the Bankruptcy Code, or under any other present or future state or federal law regarding bankruptcy, reorganization or other debtor relief law; (ii) the filing of any pleading or an answer by Borrower in any involuntary proceeding

under the Bankruptcy Code or other debtor relief law which admits the jurisdiction of the court or the petition's material allegations regarding Borrower's insolvency; (iii) a general assignment by Borrower for the benefit of creditors; or (iv) Borrower applying for, or the appointment of, a receiver, Bondowner Representative, custodian or liquidator of Borrower or any of its property; or

(g) Involuntary Bankruptcy. The failure of Borrower to effect a full dismissal of any involuntary petition under the Bankruptcy Code or under any other debtor relief law that is filed against Borrower or in any way restrains or limits Borrower or Bondowner Representative regarding the Loan, the Property or the Project, prior to the earlier of the entry of any court order granting relief sought in such involuntary petition, or thirty (30) days after the date of filing of such involuntary petition; or

(h) Partners: Guarantors. The occurrence of any of the events specified in Section 17.1(f) or 17.1(g) as to the General Partner or Guarantor (but with respect to Guarantor, only for so long as the applicable guaranty has not terminated by its own terms); or

(i) Death or Incapacity of Borrower. The death or incapacity of Borrower, if an individual; or

(j) Change In Management or Control. Except as otherwise provided in Section 6.8 and except for (i) the admission of Investor Limited Partner as investor limited partner of Borrower, and (ii) the transfer by Investor Limited Partner of its limited partnership interest in Borrower to an entity (an "**Affiliate**") which controls, is controlled by or is under common control with Investor Limited Partner (subsections (i) and (ii) being subject to Bondowner Representative's right to approve the related amendment to the Partnership Agreement), the occurrence of any material management or organizational change in Borrower or in the partners, venturers or members of Borrower, including, without limitation, any partnership, joint venture or member dispute which Bondowner Representative determines, in its sole and absolute discretion, shall have a material adverse effect on the Loan, on the Project, or on the ability of Borrower or its partners, venturers or members to perform their obligations under the Loan Documents; or

(k) Loss of Priority. The failure at any time of the Deed of Trust to be a valid first lien upon the Project or any portion thereof, other than as a result of any release or reconveyance of the Deed of Trust with respect to all or any portion of the Project pursuant to the terms and conditions of this Loan Agreement; or

(l) Hazardous Materials. The discovery of any significant Hazardous Materials, which Borrower fails to remove or remediate within sixty (60) days of discovery to Bondowner Representative's satisfaction in, on or about the Project subsequent to the Effective Date. Any such Hazardous Materials shall be "significant" for this purpose if said Hazardous Materials, in Bondowner Representative's sole discretion, have a materially adverse impact on the value of the Project; or

(m) Investor Limited Partner Bankruptcy. Until Investor Limited Partner has made each and every Capital Contribution to Borrower contemplated under this Loan Agreement and the Partnership Agreement subject to the terms thereof, the occurrence of any of the events specified in Sections 17.1(f) or 17.1(g) with respect to Investor Limited Partner, on whose financial resources Bondowner Representative has relied, or any corporations, partnerships or limited liability companies that are partners, venturers or members of Investor Limited Partner; or

(n) Other Bankruptcy. The occurrence of any of the events specified in Sections 17.1(f) or 17.1(g) with respect to Contractor (unless Contractor is replaced by a contractor satisfactory to Bondowner Representative within thirty (30) days of such occurrence and such thirty (30) day period does not materially adversely impact the Tax Credits); or

(o) Adverse Financial Condition - Other Than Borrower. Any material adverse change in the financial condition of Guarantor from the condition shown on the financial statements submitted to Bondowner Representative and relied upon by Bondowner Representative in making the Loan, the materiality and adverse effect of such change in financial condition to be reasonably determined by Bondowner Representative in accordance with its credit standards and underwriting practices in effect at the time of making such determination; or

(p) Partnership Documents. The occurrence of a breach or default under the Partnership Documents, or failure to satisfy any of the terms, covenants or conditions of or under the Partnership Documents, including, without limitation, the failure of Investor Limited Partner to make the Capital Contributions in accordance with the terms of the Partnership Documents following the expiration of any cure period provided for in the Partnership Documents; or

(q) Unsecured Indemnity Agreement. The occurrence of a default (and the expiration of all applicable cure periods) under that certain Hazardous Materials Indemnity Agreement (Unsecured) executed by Guarantor, as Indemnitor, in favor of Bondowner Representative, and dated of even date herewith; or

(r) Tax Credits. The loss of the Tax Credits for the Project or the failure to promptly reapply for the Tax Credits upon Bondowner Representative's request or expiration of the Tax Credits;

(s) Subordinate Loan Documents. The expiration or termination or occurrence of a breach or default under the documents governing any of the Subordinate Loans or any documents in connection therewith, or failure to satisfy any of the terms or covenants or conditions of or under any of the Subordinate Loans or any documents in connection therewith, in either case following expiration of any applicable cure periods provided therein; or



(t) Transfer of Assets. The sale, assignment, pledge, hypothecation, mortgage or transfer of assets of Borrower other than as otherwise permitted herein or in the ordinary course of business of said entity; or

(u) Failure of Bond Repayment. Failure of the Loan and all other obligations outstanding hereunder or under the Note to be repaid on or before June 1, 2005; provided, however, that Bondowner Representative shall extend the deadline date from \_\_\_\_\_ to \_\_\_\_\_ if each of the following conditions are satisfied on or before \_\_\_\_\_: (i) Borrower shall pay to Bondowner Representative, in immediately available funds, an extension fee in the amount of one-quarter of one percent (0.25%) of the maximum committed principal amount of the Bonds; (ii) the construction of the Project shall be one hundred percent (100%) complete and a notice of completion and certificate of occupancy shall have been issued by the applicable Governmental Authority; (iii) at least seventy-five percent (75%) of the units in the Project shall be subject to signed leases; (iv) at least forty-five percent (45%) of the units in the Project shall be occupied by tenants in compliance with all applicable regulatory requirements; (v) Bondowner Representative shall have received such assurances as it may reasonably require that no mechanics' or materialmen's liens have been asserted with respect to the Project; (vi) there shall be no Default or event which, with the passage of time or giving of notice, or both, would constitute a Default under this Loan Agreement; (vii) the City shall have extended to a date not earlier than \_\_\_\_\_ its commitment to make the City Loan; and (viii) Borrower shall have demonstrated to the reasonable satisfaction of Bondowner Representative that the combination of cash flow from the Project and the remaining balance of the Loan committed to the payment of interest on the Bonds will be sufficient to pay all interest that accrues and is payable on the Bonds and the Loan during the period from \_\_\_\_\_ through \_\_\_\_\_.

Notwithstanding anything to the contrary contained herein, Bondowner Representative and the Authority hereby agree that any cure of any default made or tendered by Investor Limited Partner shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

## **17.2 Remedies.**

(a) Whenever any Default shall have occurred and be continuing, Bondowner Representative, as assignee of the Authority, may declare all the payments under the Loan payable for the remainder of its term (in an amount equal to that necessary to pay in full the Bonds and the interest thereon, assuming acceleration of the Bonds under the Indenture and to pay all other indebtedness due under the Loan Documents and under this Loan Agreement and the Loan Documents) to be immediately due and payable, whereupon the same shall become immediately due and payable by Borrower.

(b) Whenever any Default shall have occurred and be continuing, any one or more of the following remedial steps may also be taken to the extent permitted by law:

(i) Bondowner Representative, as assignee of the Authority, shall take whatever action at law or in equity as it is directed to take by Bondowner Representative to collect all sums then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, covenant, representation or warranty of Borrower, under this Loan Agreement or any Other Related Document, or to foreclose the real property and/or personal property security for such obligations, or to otherwise compensate the Authority, Bondowner Representative and the Bondholders for any damages on account of such Default; and

(ii) the Authority (without the prior written consent of Bondowner Representative if Bondowner Representative is not enforcing the Authority's rights in a manner to protect the Authority or is otherwise taking action that brings adverse consequences to the Authority), may take whatever action at law or in equity may appear necessary or appropriate to enforce its rights to indemnification under Section 6.23, 6.31, 9.4, 17.5 and 18.32 and to collect all sums then due and thereafter to become due to the Authority under Sections 3.3 and 3.4; provided that the Authority will not take any action which would prejudice the rights of Bondowner Representative.

(c) All of Bondowner Representative's and the Authority's rights and remedies are cumulative. If any Default occurs, the Authority's obligation to lend and Bondowner Representative's obligation to make any Disbursements under the Loan Documents automatically terminate, and Bondowner Representative in its sole discretion may withhold any one or more Disbursements. Bondowner Representative may also withhold any one or more Disbursements after an event occurs that, with notice or the passage of time, could become a Default. No disbursement of Loan funds by Bondowner Representative will cure any default of Borrower, unless Bondowner Representative agrees otherwise in writing in each instance.

(d) If Borrower becomes the subject of any Insolvency Proceeding, all of Borrower's obligations under the Loan Documents automatically become immediately due and payable upon the filing of the petition commencing such proceeding, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character. Upon the occurrence of any other Default, all of Borrower's obligations under the Loan Documents may become due and payable immediately without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or other notices or demands of any kind or character, all at Bondowner Representative's option, exercisable in its sole discretion. If such acceleration occurs, Bondowner Representative may apply any undisbursed Loan funds and any sums in the Bond Fund to Borrower's obligations under the Loan Documents, in any order and proportions in Bondowner Representative's sole discretion.

(e) Also upon any Default that occurs during the course of construction of the Project, Bondowner Representative in its sole discretion may enter and take possession of the Property, whether in person, by agent or by court-appointed

receiver, and take any and all actions that Bondowner Representative in its sole discretion may consider necessary to complete construction of the Project, including making changes in plans, specifications, work or materials and entering into, modifying or terminating any contractual arrangements, all subject to Bondowner Representative's right at any time to discontinue any work without liability. By choosing to complete the construction of the Project, Bondowner Representative does not assume any liability to Borrower or any other person for completing them or for the manner or quality of their construction, and Borrower expressly waives any such liability. If Bondowner Representative exercises any of the rights or remedies provided in this clause (e), that exercise will not make Bondowner Representative, or cause Bondowner Representative to be deemed, a partner or joint venturer of Borrower. Bondowner Representative in its sole discretion may choose to complete construction in its own name. All sums expended by Bondowner Representative in completing construction will be considered to have been disbursed to Borrower and will be secured by the Deed of Trust and any other collateral held by Bondowner Representative in connection with the Loan; any sums of principal will be considered to be an additional loan to Borrower bearing interest at the Default Rate, and be secured by the Deed of Trust and any other collateral held by Bondowner Representative in connection with the Loan. For these purposes Bondowner Representative, in its sole discretion, may reallocate any line item or cost category of the cost breakdown.

**17.3** Disposition of Funds. Any amounts collected pursuant to action taken under Section 17.2 (other than sums collected for the Authority on account of its rights to indemnification and certain direct payments to be made under Sections 3.3, 3.4, 6.23, 6.31, 9.4, 17.5 and 18.32 which sums shall be paid directly to the Authority) shall be applied in accordance with the provisions of the Indenture.

**17.4** Nonexclusive Remedies. No remedy herein conferred upon or reserved to the Authority or Bondowner Representative is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or Bondowner Representative to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required or as may be required by law.

**17.5** Attorneys' Fees and Expenses. If a Default shall exist under this Loan Agreement and the Authority or Bondowner Representative employ attorneys or incur other expenses for the collection of any amounts due hereunder, or for the enforcement of performance of any obligation or agreement on the part of Borrower, Borrower shall upon demand pay to the Authority or Bondowner Representative, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

**17.6** Effect of Waiver. In the event any agreement contained in this Loan Agreement is breached by either party and thereafter such breach is waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

**17.7** Authority and Bondowner Representative May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower or the property of Borrower, Bondowner Representative or the Authority (with the prior consent of Bondowner Representative), shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Authority and Bondowner Representative (including any claim for the reasonable compensation, expenses, disbursements and advances of the Authority and Bondowner Representative, their agents and counsel) allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same.

**17.8** Restoration of Positions. If the Authority or Bondowner Representative has instituted any proceeding to enforce any right or remedy under this Loan Agreement, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Authority or Bondowner Representative, then and in every such case Borrower, Bondowner Representative and the Authority shall, subject to any determination in the proceeding, be restored to the positions they held prior to commencement of such proceedings, and thereafter all rights and remedies of the Authority and Bondowner Representative shall continue as though no such proceeding had been instituted.

**17.9** Suits To Protect the Project. If Borrower shall fail to do so after 30 days prior written notice from the Authority or Bondowner Representative, the Authority or Bondowner Representative shall have power to institute and to maintain such proceedings as either of them may deem expedient to prevent any impairment of the Project or any portion thereof, by any acts which may be unlawful or in violation of this Loan Agreement, and such suits and proceedings as the Authority or Bondowner Representative may deem expedient to protect its interests in the Project or any portion thereof, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair or adversely affect the Project or be prejudicial to the interests of Bondowner Representative.

**17.10** Performance by Third Parties. Bondowner Representative or the Authority, with the consent of Bondowner Representative, may permit third parties to perform any and all acts or take such action as may be necessary for and on behalf of Borrower to cure any Default hereunder. The acceptance by the Authority or Bondowner Representative of any such performance by third parties shall not in any way diminish or absolve Borrower of primary liability hereunder.

**17.11** Exercise of the Authority's Remedies by Bondholders. Whenever any Default shall have happened and be subsisting Bondowner Representative may, but except as otherwise provided in the Indenture shall not be obligated to, exercise any or all of the rights of the Authority under this Article 17, with notice to the Authority.

**ARTICLE XVIII.**  
**MISCELLANEOUS PROVISIONS**

**18.1** Indemnity. Borrower hereby agrees to defend, indemnify and hold harmless Bondowner Representative, directors, officers, employees, agents, successors and assigns from and against any and all losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses which Bondowner Representative may incur as a direct or indirect consequence of: (a) the purpose to which Borrower applies the proceeds of the Bonds; (b) the failure of Borrower to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents; (c) any failure at any time of any of Borrower's representations or warranties to be true and correct; or (d) any act or omission by Borrower, constituent partner or member of Borrower, any contractor, subcontractor or material supplier, engineer, architect or other person or entity with respect to any of the Property or Project provided, however, that Borrower shall not be required to indemnify Bondowner Representative for any Liabilities arising due to the gross negligence or willful misconduct of Bondowner Representative. Borrower shall immediately pay to Bondowner Representative upon demand any amounts owing under this indemnity, together with interest from the date the indebtedness arises until paid at the rate of interest applicable to the principal balance of the Note. BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD HARMLESS BONDOWNER REPRESENTATIVE SHALL SURVIVE CANCELLATION OF THE NOTE AND THE RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST. Notwithstanding the foregoing, neither Borrower nor any of its partners shall be personally liable for any indemnification obligation under the Loan Documents which would result in the repayment of principal and/or interest under the Loan.

**18.2** Form of Documents. The form and substance of all documents, instruments, and forms of evidence to be delivered to Bondowner Representative under the terms of this Loan Agreement and any of the Loan Documents shall be subject to Bondowner Representative's approval.

**18.3** No Third Parties Benefited. No person other than the Authority, Bondowner Representative and Borrower and their permitted successors and assigns shall have any right of action under any of the Loan Documents.

**18.4** Notices. All notices, demands, or other communications under this Loan Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth in the Indenture (subject to change from time to time by written notice to all other parties to this Loan Agreement). All communications shall be deemed served upon delivery of, or if mailed, upon the first to occur of receipt or the expiration of three (3) days after the deposit in the United States Postal Service mail, postage prepaid and addressed to the address of Borrower or Bondowner Representative at the address specified; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

**18.5** Attorney-in-Fact. Borrower hereby irrevocably appoints and authorizes Bondowner Representative, as Borrower's attorney-in-fact, which agency is coupled with an interest, to execute and/or record in Bondowner Representative's or Borrower's name any notices, instruments or documents that Bondowner Representative deems appropriate to protect Bondowner Representative's interest under any of the Loan Documents.

**18.6 Actions.** Borrower agrees that Bondowner Representative, in exercising the rights, duties or liabilities of Bondowner Representative or Borrower under the Loan Documents, may commence, appear in or defend any action or proceeding purporting to affect the Property, the Project, or the Loan Documents and Borrower shall immediately reimburse Bondowner Representative upon demand for all such expenses so incurred or paid by Bondowner Representative, including, without limitation, attorneys' fees and expenses and court costs.

**18.7 Right of Contest.** Borrower may contest in good faith any claim, demand, levy or assessment (other than liens and stop notices) by any person other than Bondowner Representative which would constitute a Default if: (a) Borrower pursues the contest diligently, in a manner which Bondowner Representative determines is not prejudicial to Bondowner Representative, and does not impair the rights of Bondowner Representative under any of the Loan Documents; and (b) Borrower deposits with Bondowner Representative any funds or other forms of assurance which Bondowner Representative in good faith determines from time to time appropriate to protect Bondowner Representative from the consequences of the contest being unsuccessful. Borrower's compliance with this Section shall operate to prevent such claim, demand, levy or assessment from becoming a Default.

**18.8 Relationship of Parties.** The relationship of Borrower and Bondowner Representative under the Loan Documents is, and shall at all times remain, solely that of Borrower and Bondowner Representative, and Bondowner Representative neither undertaken nor assumes any responsibility or duty to Borrower or to any third party with respect to the Property or Project, except as expressly provided in this Loan Agreement and the other Loan Documents.

**18.9 Delay Outside Bondowner Representative's Control.** Bondowner Representative shall not be liable in any way to Borrower or any third party for Bondowner Representative's failure to perform or delay in performing under the Loan Documents (and Bondowner Representative may suspend or terminate all or any portion of Bondowner Representative's obligations under the Loan Documents) if such failure to perform or delay in performing results directly or indirectly from, or is based upon, the action, inaction, or purported action, of any governmental or local authority, or because of war, rebellion, insurrection, strike, lock-out, boycott or blockade (whether presently in effect, announced or in the sole judgment of Bondowner Representative deemed probable), or from any Act of God or other cause or event beyond Bondowner Representative's control.

**18.10 Attorneys' Fees and Expenses; Enforcement.** If any attorney is engaged by any party to this Loan Agreement to enforce or defend any provision of this Loan Agreement, any of the other Loan Documents or Other Related Documents, or as a consequence of any Default under the Loan Documents, with or without the filing of any legal action or proceeding, Borrower shall immediately pay, upon demand, the amount of all attorneys' fees and expenses and all costs incurred by any party in connection therewith, together with interest thereon from the date of such demand until paid at the Default Rate.

**18.11 Immediately Available Funds.** Unless otherwise expressly provided for in this Loan Agreement, all amounts payable by Borrower to Bondowner Representative shall be payable only in United States currency, immediately available funds.

**18.12 Bondowner Representative's Consent.** Wherever in this Loan Agreement there is a requirement for Bondowner Representative's consent and/or a document to be provided or an action taken "to the satisfaction of Bondowner Representative", it is understood by such



phrase that Bondowner Representative shall exercise its consent, right or judgment in a reasonable manner given the specific facts and circumstances applicable at the time.

**18.13 Signs; Publicity.** Bondowner Representative may place on the Property reasonable signs standard to construction loan transactions stating that construction financing is being provided by the Bonds which have been purchased by Bondowner Representative. Borrower hereby agrees that Bondowner Representative, at its expense, may publicize the financing of the Property and, in connection therewith, may use the address, description and a photograph or other illustrative drawing of the Property.

**18.14 Bondowner Representative's Agents.** Bondowner Representative may designate an agent or independent contractor to exercise any of Bondowner Representative's rights under this Loan Agreement and any of the other Loan Documents. Any reference to Bondowner Representative in any of the Loan Documents shall include Bondowner Representative's agents, employees or independent contractors.

**18.15 Tax Service.** Bondowner Representative is authorized to secure, at Borrower's expense, a tax service contract with a third party vendor which shall provide tax information on the Property and Project satisfactory to Bondowner Representative.

**18.16 WAIVER OF RIGHT TO TRIAL BY JURY.** EACH PARTY TO THIS LOAN AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THE LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION THEREOF OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THE LOAN DOCUMENTS (AS NOW OR HEREAFTER MODIFIED) OR ANY OTHER INSTRUMENT, DOCUMENT OR LOAN AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS; THAT ANY PARTY TO THIS LOAN AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF ANY RIGHT THEY MIGHT OTHERWISE HAVE TO TRIAL BY JURY.

**18.17 Severability.** If any provision or obligation under this Loan Agreement and the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that provision shall be deemed severed from the Loan Documents and the validity, legality and enforceability of the remaining provisions or obligations shall remain in full force as though the invalid, illegal, or unenforceable provision had never been a part of the Loan Documents, provided, however, that if the rate of interest or any other amount payable under the Note or this Loan Agreement or any other Loan Document, or the right of collectibility therefor, are declared to be or become invalid, illegal or unenforceable, Bondowner Representative's obligations to make advances under the Loan Documents shall not be enforceable by Borrower.

**18.18 Time.** Time is of the essence of each and every term of this Loan Agreement.

**18.19** Headings. All Article, Section or other headings appearing in this Loan Agreement and any of the other Loan Documents are for convenience of reference only and shall be disregarded in construing this Loan Agreement and any of the other Loan Documents.

**18.20** Governing Law. This Loan Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California, except to the extent preempted by federal laws. Borrower and all persons and entities in any manner obligated to Bondowner Representative under the Loan Documents consent to the jurisdiction of any federal or State court within the State having proper venue and also consent to service of process by any means authorized by State or federal law.

**18.21** Integration; Interpretation. The Loan Documents contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein and supersede all prior negotiations or agreements, written or oral. The Loan Documents shall not be modified except by written instrument executed by all parties. Any reference in any of the Loan Documents to the Property or Project shall include all or any part of the Property or Project. Any reference to the Loan Documents includes any amendments, renewals or extensions now or hereafter approved by Bondowner Representative in writing.

**18.22** Joint and Several Liability. The liability of all persons and entities obligated in any manner under this Loan Agreement and any of the Loan Documents shall be joint and several.

**18.23** Counterparts. This Loan Agreement, any of the other Loan Documents (except for the Note), any other Related Documents and any subsequent modifications, amendments, waivers, consents or supplements thereof, if any, may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all such counterparts together, shall constitute one and the same instrument.

**18.24** Intentionally Omitted.

**18.25** Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority and Borrower and their respective successors and assigns. Insofar as this Loan Agreement provides for rights of Bondowner Representative, this Loan Agreement shall also inure to the benefit of Bondowner Representative.

**18.26** Amendments, Changes and Modifications. Except as otherwise provided in this Loan Agreement or in the Indenture, subsequent to the issuance of the Bonds and before the lien of the Indenture is satisfied and discharged in accordance with its terms, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the holders of a majority of the aggregate principal amount of the Bonds then outstanding as provided in Article 11 of the Indenture (and the Authority to the extent any proposed amendment, change or modification relates to the Reserved Rights).

**18.27** Required Approvals. Consents and approvals required by this Loan Agreement to be obtained from Borrower, the Authority or Bondowner Representative shall be in writing and shall not be unreasonably withheld or delayed.

**18.28** Limitation on the Authority's Liability. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of its governing body, officer, employee or agent of the Authority in his or her individual capacity, and neither the members of the governing body of the Authority nor any officer thereof executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member of its governing body, officer, employee or agent of the Authority shall incur any personal liability



with respect to any other action taken by him or her pursuant to this Loan Agreement or the Act, provided such member, officer, employee or agent acts in good faith. No agreements or provisions contained in this Loan Agreement nor any agreement, covenant or undertaking by the Authority contained in any document executed by the Authority in connection with the Project or the issuance, sale and delivery of the Bonds, nor any breach of any pledge, obligation or agreement of the Authority hereunder, shall give rise to any pecuniary liability of the Authority or a charge against its general credit or taxing powers, or shall obligate the Authority financially in any way. All obligations of the Authority incurred hereunder shall be special, limited obligations of the Authority, payable solely and only from the funds and accounts pledged therefor under the Indenture. The Bonds, and the interest thereon, do not constitute a debt, liability, general or moral obligation or pledge of the faith or loan of the credit of the Authority, the State or any other political subdivision of the State, within the meaning of any constitutional or statutory limitation or provisions.

**18.29 No Waiver; Consents.** No alleged waiver by Bondowner Representative or Authority will be effective unless in writing, and no waiver will be construed as a continuing waiver. No waiver may be implied from any delay or failure by Bondowner Representative or Authority to take action on account of any default of Borrower or to exercise any right or remedy against Borrower or any security. Consent by Bondowner Representative or Authority to any act or omission by Borrower may not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for Bondowner Representative's consent to be obtained in any future or other instance. All Bondowner Representative's rights and remedies are cumulative.

**18.30 Purpose and Effect of Bondowner Representative Approval.** Bondowner Representative's approval of any matter in connection with the Loan is for the sole purpose of protecting the Authority's security and rights of Bondowner Representative and the Bondholders. No such approval will result in a waiver of any default of Borrower. In no event may Bondowner Representative's approval be a representation of any kind with regard to the matter being approved.

**18.31 No Commitment to Increase Loan.** From time to time, Bondowner Representative may approve changes to the Plans and Specifications at Borrower's request and also require Borrower to make corrections to the work of construction, all on and subject to the terms and conditions of this Loan Agreement. Borrower acknowledges that no such action or other action by Bondowner Representative will in any manner commit or obligate the Authority to increase the amount of the Loan.

**18.32 Indemnity Regarding Construction and Other Risks.** Borrower indemnifies, defends and holds the Indemnified Parties harmless from and against any and all Indemnified Costs directly or indirectly arising out of or resulting from construction of any Project on the Property, including any defective workmanship or materials; or any failure to satisfy any requirements of any laws, regulations, ordinances, governmental policies or standards, reports, subdivision maps or development agreements that apply or pertain to the Property; or breach of any representation or warranty made or given by Borrower to any of the Indemnified Parties or to any prospective or actual buyer of all or any portion of the Property; or any claim or cause of action of any kind by any party that any Indemnified Party is liable for any act or omission of Borrower or any other person or entity in connection with the ownership, sale, operation or development of the Property. The provisions of this Section 18.32 shall survive termination of this Loan Agreement.

**18.33 Relationships With Other Bondowner Representative Customers.** From time to time, Bondowner Representative may have business relationships with Borrower's customers, suppliers, contractors, tenants, partners, shareholders, officers or directors, or with businesses offering products or services similar to those of Borrower, or with persons seeking to invest in, borrow from or lend to Borrower. Borrower agrees that Bondowner Representative may extend credit to such parties and take any action it deems necessary to collect the credit, regardless of the effect that such extension or collection of credit may have on Borrower's financial condition or operations. Borrower further agrees that in no event will Bondowner Representative be obligated to disclose to Borrower any information concerning any other Bondowner Representative customer.

**18.34 Disclosure to Title Company.** Without notice to or the consent of Borrower, Bondowner Representative may disclose to any title insurance company insuring any interest of Bondowner Representative under the Deed of Trust (whether as primary insurer, coinsurer or reinsurer) any information, data or material in Bondowner Representative's possession relating to Borrower, the Loan, the Project or the Property.

**18.35 Restriction on Personal Property.** Except for the replacement of personal property made in the ordinary course of Borrower's business with items of equal or greater value, Borrower may not sell, convey or otherwise transfer or dispose of its interest in any personal property in which Bondowner Representative has a security interest or contract to do any of the foregoing, without the prior written consent of Bondowner Representative in each instance.

**18.36 Interpretation.** The language of this Loan Agreement must be construed as a whole according to its fair meaning, and not strictly for or against any party. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections of this Loan Agreement are for convenience only and do not define or limit any terms or provisions. The word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to." No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Loan Agreement.

**18.37 Loan Commission.** Bondowner Representative is not obligated to pay any brokerage commission or fee in connection with or arising out of the Loan. Borrower must pay any and all brokerage commissions or fees arising out of or in connection with the Loan.

**18.38 Compliance with Usury Laws.** Notwithstanding any other provision of this Loan Agreement, it is agreed and understood that in no event shall this Loan Agreement, with respect to the Note or other instrument of indebtedness, be construed as requiring Borrower or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law. In the event of any acceleration of the payment of the principal amount of the Note or other evidence of indebtedness, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Loan Agreement or related documents shall be canceled automatically as of the date of such acceleration, or if theretofore paid, credited to the principal amount. The provisions of this Section prevail over any other provision of this Loan Agreement.

**18.39 General Partners.** The General Partner agrees that it is jointly and severally liable for performance of Borrower's obligations under the Loan Documents, except as and to the extent expressly set forth in the Note.



IN WITNESS WHEREOF, the Authority, Bondowner Representative and Borrower have caused this Loan Agreement to be executed by their duly authorized officers, all as of the date first above written.

"Authority"

THE HOUSING AUTHORITY OF THE  
COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Approved	as	to	form:
LLOYD County	W.		PELLMAN Counsel

By: \_\_\_\_\_  
Deputy

"Bondowner Representative"

WELLS FARGO BANK, NATIONAL  
ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

"Borrower"

HAVENHURST LIMITED PARTNERSHIP,  
a California limited partnership

By: West Hollywood Community Housing  
Corporation,  
a California nonprofit corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **EXHIBIT A**

### **DESCRIPTION OF PROJECT PREMISES**

All that certain real property located in the County of Los Angeles, State of California, described as follows:

**EXHIBIT B**  
**DOCUMENTS**

(a) Loan Documents. The documents listed below, numbered (i) through (xiv), inclusive, and amendments, modifications and supplements thereto which have received the prior written consent of Bondowner Representative, together with any documents executed in the future that are approved by Bondowner Representative and that recite that they are "Loan Documents" for purposes of this Loan Agreement are collectively referred to herein as the Loan Documents.

(i) The Loan Agreement.

(ii) The Note.

(iii) The Deed of Trust.

(iv) The Security Agreement.

(v) Uniform Commercial Code - National Financing Statement - Form UCC-1, dated even date herewith, naming Borrower as Debtor and Bondowner Representative as Secured Party, perfecting security interests granted in the Deed of Trust.

(vi) Uniform Commercial Code – National Financing Statement – Form UCC-1, dated as of even date herewith, naming Borrower and General Partner as Debtors and Bondowner Representative as Secured Party, perfecting security interests granted in the Security Agreement.

(vii) Resolution Regarding Partnership Formation and Execution of Documents on behalf of the Partnership dated as of even date herewith certified by the General Partner.

(viii) West Hollywood Community Housing Corporation Authorizing Resolutions Corporate and Partnership Action dated as of \_\_\_\_\_ and certified by the Secretary of West Hollywood Community Housing Corporation, a California nonprofit public benefit corporation.

(ix) Signature Authorization Form dated as of even date herewith executed by Borrower.

(x) Assignment of Construction Agreements of even date herewith executed by Borrower and Contractor in favor of Bondowner Representative.

(xi) Assignment of Architectural Agreements and Plans and Specifications of even date herewith executed by Borrower and Architect in favor of Bondowner Representative.



(xii) Assignment of Property Management Agreements executed by Borrower and Project Manager in favor of Bondowner Representative.

(xiii) Subordination Agreement dated of even date herewith, executed by AHP Lender and Borrower in favor of Bondowner Representative.

(xiv) Subordination Agreement dated as of even date herewith, executed by the County and Borrower in favor of Bondowner Representative.

Other Related Documents (Which Are Not Loan Documents):

(i) Completion Guaranty dated as of even date herewith, executed by the General Partner, as Guarantor in favor of Bondowner Representative.

(ii) Repayment Guaranty dated as of even date herewith, executed by the General Partner, as Guarantor in favor of Bondowner Representative.

(iii) Hazardous Materials Indemnity Agreement (Unsecured) dated as of even date herewith, executed by and between Borrower and Bondowner Representative.

(iv) Opinion of Borrower's legal counsel addressed to the Authority and Bondowner Representative.

(v) Payment and Performance Bond with Dual Obligee Rider in recordable form, naming Borrower and Bondowner Representative as obligees, issued in an amount, in form and content, and by a surety approved by Bondowner Representative.

## **EXHIBIT C**

### **FINANCIAL REQUIREMENT ANALYSIS**

The Financial Requirement Analysis set forth herein represents an analysis of the total costs necessary in Borrower's estimation to perform Borrower's obligations under the Loan Documents. Column A, "Total Costs", sets forth Borrower's representation of the maximum costs for each Item specified in Column A. Column B, "Costs Paid by Borrower/City/Tax Credit Equity", sets forth Borrower's representation of costs that have previously been paid from other sources of funds for each Item specified in Column B. Column C, "Costs to be Paid by City," sets forth Borrower's representation of costs that Borrower will pay or will cause to be paid from proceeds of the Subordinate Loan for each Item specified in Column C. Column D, "Costs to be Paid by Borrower/Tax Credit Equity," sets forth Borrower's representation of costs that Borrower will pay or will cause to be paid from its own funds or from funds contributed to Borrower from Investor Limited Partner for each item specified in Column D. Column E, "Disbursement Budget", sets forth the portion of the Loan which has been allocated for each Item specified in Column E and will be disbursed pursuant to the terms, covenants, conditions and provisions of Exhibit D of this Loan Agreement and the Loan Documents. Unless specified otherwise, all reference to Columns or Items in this Loan Agreement refer to Columns or Items in this Exhibit C.

## EXHIBIT D

### DISBURSEMENT PLAN

Exhibit D to LOAN AGREEMENT between HAVENHURST LIMITED PARTNERSHIP, a California limited partnership, as "Borrower", THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, as "Authority", and WELLS FARGO BANK, NATIONAL ASSOCIATION, as "Bondowner Representative", dated as of June 1, 2003.

1. Timing of Disbursement. Unless another provision of this Loan Agreement specifies otherwise, on or about the first (1st) day of each month, or at such other times as Bondowner Representative may approve or determine more appropriate, Borrower shall submit to:

Wells Fargo Bank, National Association  
Real Estate Disbursement Center  
East Park Place, Suite 100  
El Segundo, CA 90245

a Requisition Certificate (in the form of Exhibit D-1 attached hereto), together with a written itemized statement, signed by Borrower setting forth:

- 1.1 a description of the work performed, material supplied and/or costs incurred or due for which disbursement is requested with respect to any line item ("**Item**") shown in Column D or Column E ("**Disbursement Budget**") of the Financial Requirement Analysis attached as Exhibit C to this Loan Agreement;
- 1.2 the total amount incurred, expended and/or due for each requested Item less prior disbursements; and
- 1.3 Each Requisition Certificate by Borrower shall constitute a representation and warranty by Borrower that Borrower is in compliance with all the conditions precedent to a disbursement specified in this Loan Agreement.

Bondowner Representative shall have the right to require that Disbursements shall be made, after satisfaction of the conditions contained in this Exhibit D and the Disbursement Plan, on the dates upon which the Variable Rate is adjusted pursuant to the Indenture. Disbursements shall be made into Borrower's demand deposit account at Wells Fargo Bank, National Association, account number \_\_\_\_\_ (the "**Account**").

2. Bondowner Representative's Right to Condition Disbursements. Bondowner Representative shall have the right to condition any Disbursement upon Bondowner Representative's receipt and approval of the following:

- 2.1 the Requisition Certificate and an itemized statement for payment of Items \_\_\_\_ through \_\_\_\_ shown in the Disbursement Budget ("**Hard Costs**");

- 2.2 bills, invoices, documents of title, vouchers, statements, payroll records, receipts and any other documents evidencing the total amount expended, incurred or due for any requested Items;
- 2.3 evidence of Borrower's use of a lien release, joint check and voucher system acceptable to Bondowner Representative for payments or disbursements to any contractor, subcontractor, materialman, supplier or lien claimant;
- 2.4 architect's, inspector's and/or engineer's periodic certifications of the percentage and/or stage of construction that has been completed and its conformance to the Plans and Specifications and governmental requirements based upon any such architect's, inspector's and/or engineer's periodic physical inspections of the Property and Improvements;
- 2.5 waivers and releases of any mechanics' lien, stop notice claim, equitable lien claim or other lien claim rights;
- 2.6 evidence of Borrower's compliance with the provisions of this Loan Agreement;
- 2.7 a written release executed by any surety to whom Bondowner Representative has issued or will issue a set-aside letter and/or any public entity or agency which is a beneficiary under any instrument of credit or standby letter of credit which Bondowner Representative has issued or will issue with respect to the Loan;
- 2.8 valid, recorded Notice(s) of Completion for the Improvements or any portions of the Improvements for which Notice(s) of Completion may be recorded under applicable law;
- 2.9 Certificate of Substantial Completion from the Architect and Engineer, if any, prior to the final retention disbursement or the final stage disbursement of Hard Costs, as applicable;
- 2.10 evidence satisfactory to Bondowner Representative that the Agency has approved the completed Improvements and that all conditions precedent to the initial funding of the permanent financing, if any, have been satisfied prior to the final retention disbursement or the final stage disbursement of Hard Costs, as applicable;
- 2.11 any other document, requirement, evidence or information that Bondowner Representative may request under any provision of the Loan Documents;
- 2.12 evidence that any goods, materials, supplies, fixtures or other work in process for which disbursement is requested have been incorporated into the Improvements;
- 2.13 in the event any Application for Payment includes the cost of materials stored at a location other than the Property ("**Offsite Materials**"), such Application for Payment shall include each of the following: (a) evidence that the Offsite Materials have been purchased by Borrower, have been segregated from other

materials in the facility and have been appropriately marked to indicate Borrower's ownership thereof and Bondowner Representative's security interest therein; and (b) evidence that the Offsite Materials are insured as required by this Agreement; and (c) at Bondowner Representative's request, a security agreement, financing statement and/or subordination agreement in form and substance satisfactory to Bondowner Representative executed by the supplier of the Offsite Materials, and/or such other persons as Bondowner Representative determines may have an interest in or claim to the Offsite Materials, together with such other additional documentation and evidence as Bondowner Representative may reasonably require to assure itself that it has a perfected first priority lien on the Offsite Materials; and

- 2.14 in the event that any Application for Payment includes the cost of materials stored on the Property ("**Onsite Materials**"), such Application for Payment shall include each of the following: (a) evidence that the Onsite Materials have been purchased by Borrower; (b) evidence that the Onsite Materials are insured as required hereunder; and (c) evidence that the Onsite Materials are stored in an area on the Property for which adequate security is provided against theft and vandalism.

Borrower acknowledges that this approval process may result in disbursement delays and Borrower hereby consents to all such delays.

3. Disbursement of Land Acquisition. The portion of the Disbursement Budget initially totalling \$ \_\_\_\_\_ shall be disbursed to or for the benefit or account of Borrower for the payment of the Land Acquisition.
4. Periodic Disbursement of Certain Construction Hard Costs. As construction progresses, the portion of the Disbursement Budget attributable to Items \_\_\_\_\_ initially totaling \$ \_\_\_\_\_ shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for Items \_\_\_\_\_ up to ninety percent (90%) of the maximum amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("**Retention**") shall be disbursed into the Account or to or for the benefit or account of Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the statutory lien period has expired and Bondowner Representative has received an LP-10 Re-Write of the Title Policy.

Borrower shall obtain and deliver to Bondowner Representative final lien releases for the above items, promptly after release of the retention.

5. Hard Costs Contingency Reserve. The portion of the Disbursement Budget initially totalling \$ \_\_\_\_\_, allocated for the payment of Hard Cost Contingencies, shall be periodically reallocated within the Disbursement Budget or disbursed into the Account or to or for the benefit or account of Borrower for cost overruns that have been approved by Bondowner Representative for Hard Cost Items and disbursed in accordance with paragraphs hereof depending upon the intended use of any such funds.

6. Periodic Disbursement of Soft Costs. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of softcosts as follows.
- 6.1 Period Disbursement for Furnishings. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of costs of furnishings.
- 6.2 Periodic Disbursement of Permits and Fees. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of costs of governmental permits and fees.
- 6.3 Periodic Disbursement of Architecture Fees. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of architecture fees.
- 6.4 Periodic Disbursement of Survey / Engineering / Construction Management / Materials Testing. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of costs of surveys, engineering, construction management and materials testing.
- 6.5 Periodic Disbursement of Environmental Testing. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of costs of environmental testing.
- 6.6 Periodic Disbursement of Relocation. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of costs of relocation of tenants of the Project.
- 6.7 Periodic Disbursement of Bond Issuance Costs. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of costs of issuance of the Bonds.
- 6.8 Periodic Disbursement of Title and Escrow Costs (Construction Loan). The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of costs of title insurance and escrow fees and costs in relation to the construction portion of the Loan.
- 6.9 Periodic Disbursement of Taxes and Insurance Premiums. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of Taxes and

Insurance premiums incurred during the Loan term as Taxes and Insurance premiums become due and payable.

6.10 Periodic Disbursement of Legal Fees. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of legal fees.

6.11 Periodic Disbursement of Marketing. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of TCAC fees.

6.12 Periodic Disbursement of TCAC Fees. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of TCAC fees.

6.13 Periodic Disbursement of Syndication Consultant Fees. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of fees and costs of Borrower's syndication consultant.

6.14 Periodic Disbursement of Interest and Fees on LOC for Initial Rehab. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of interest and fees on the letter of credit for the initial construction of the Improvements.

6.15 Periodic Disbursement of Wells Fargo Bank Expenses. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of costs and expenses of Wells Fargo Bank in connection with the Loan.

6.16 Periodic Disbursement of Wells Fargo Bank Loan Fee. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed directly to Bondowner Representative for Borrower's credit on the Effective Date.

6.17 Periodic Disbursement of Interest Reserve. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, allocated as an Interest Reserve, shall be periodically disbursed directly to Bondowner Representative for the payment of interest which accrues and becomes due under the Note. Bondowner Representative is hereby authorized to charge the Loan and Borrower's Funds Account directly for such interest payments when due. Bondowner Representative shall provide Borrower with a monthly interest statement. Depletion of the Interest Reserve shall not release Borrower from any of Borrower's obligations under the Loan Documents including, without limitation, payment of all accrued and due interest and the deposit of Borrower's Funds with Bondowner Representative pursuant to Section 3.1 (b) of this Agreement.

6.18 Periodic Disbursement of Operating Expenses during Construction. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically

disbursed into the Account or to or for the benefit or account of Borrower for the payment of operating expenses of the Project during the construction period.

6.19 Periodic Disbursement of Developer Fee. The portion of the Disbursement Budget initially totalling \$\_\_\_\_\_, shall be periodically disbursed into the Account or to or for the benefit or account of Borrower upon completion of the Project, to the extent of funds remaining available for such purpose in the Financial Requirement Analysis.

7. Soft Costs Contingency Reserve. The portion of the Disbursement Budget allocated for the payment of Soft Cost Contingencies initially totalling \$\_\_\_\_\_, shall be periodically reallocated within the Disbursement Budget or disbursed into the Account or to or for the benefit or account of Borrower for cost overruns that have been approved by Bondowner Representative for Soft Costs Items and disbursed in accordance with this Exhibit D, depending upon the intended use of any such funds.



**EXHIBIT E**  
**FORM OF PROMISSORY NOTE**

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